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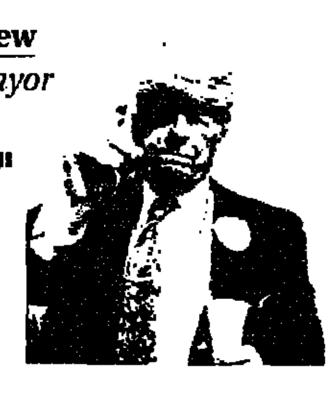


NEWSPAPER of THE YEAR

FINANCIAL TIMES

Monday May 18 1992 · EUROPE'S BUSINESS NEWSPAPER · D8523A

Thai PM declares state of emergency as violence flares

Thailand's government declared a state of emergency in Bangkok and four surrounding provinces last night amid the largest and most violent anti-government demonstration since the 1970s.

Thousands of protesters hurling stones and bottles and demanding the resignation of General Suchinda Kraprayoon, the prime minister, routed police and troops who had attempted to block a march to his office at Government House in the city centre. Several policemen were hurt and dozens of demonstrators injured or arrested in police baton charges. **Page 16**

Plight of poor ignored: The global environmental debate has largely ignored the most serious problems facing developing countries, the World Bank says in a study published today. **Details, Page 4; Editorial comment, Page 14**

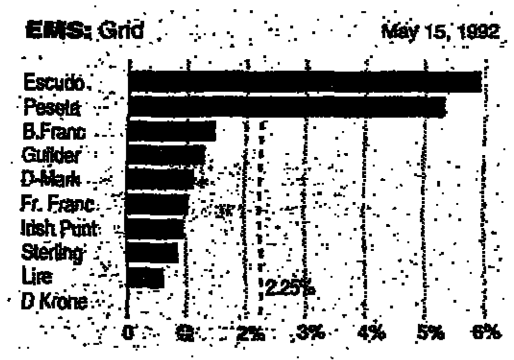
Gadaffi expects sanctions to end: Colonel Muammer Gadaffi, the Libyan leader, says he expects UN sanctions against his country to be lifted following the regime's renunciation of international terrorism and acceptance of a UN resolution to cut links with terrorist groups. **Page 16**

Toyota plans $1bn bond issue: Toyota, Japanese motor manufacturer, plans to raise $1bn in the biggest-ever offer by a company in the international bond market. **Page 17**

UN withdraws from Sarajevo: United Nations peacekeeping forces yesterday left Sarajevo, the capital of Bosnia-Hercegovina, in a convoy of 40 vehicles, as Serb irregulars tightened their grip on the republic. **Page 5**

European Monetary System: The French franc was the star performer last week, jumping from eighth to sixth in the EMS grid, and nudging its central rate of Ffr3.539 against the D-Mark. Sterling also remained strong, though it is a little further away from its central rate of DM2.95 than the franc. Analysts said both sterling and the franc had profited from a weaker dollar. Last year, dollar weakness tended to result in EMS tensions, as funds floated from the US currency into the D-Mark. Now, with Germany experiencing economic difficulties, funds are flowing into sterling and the franc. **Currencies, Page 27**

EMS: Grid May 15, 1992



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. Currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling, the Spanish peseta and the Portuguese escudo operate with 6 per cent fluctuation bands.

HK offer may be sweetened: Hongkong and Shanghai Banking Corporation is working on plans to improve the terms of its takeover offer for Midland Bank by providing shareholders with cash instead of bonds. **Page 17**

Ford cuts trade deficit by £1.08bn: Ford, the biggest vehicle maker in Britain, cut its UK balance of trade deficit last year to £214m ($379m) from a deficit of £1.297bn in 1990. **Page 8**

EC seeks tough entry requirements: The European Commission wants to set high entry requirements for new members of the EC before the Community's next constitutional review in 1996. **Page 3; Major aims to limit Tory rebellion on Europe, Page 8**

Glaxo sales under threat: Astra, Swedish pharmaceuticals group, believes it has developed a therapy for peptic ulcers that could undermine sales of Zantac, a drug which generates annual revenues of $3bn for Glaxo of the UK. **Page 19**

Swiss vote to join IMF: The Swiss have voted in a referendum to endorse their government's desire to join the International Monetary Fund and the World Bank. **Page 2**

Lebanese PM names new cabinet: Rashid Solh, the new Lebanese premier, announced his cabinet at the weekend, 10 days after the previous government resigned. **Page 6**

Paris to keep Total control: The French government intends to retain control of key strategic decisions affecting Total, French oil group, in spite of plans to reduce its direct financial stake in the company to 5 per cent. **Page 19**

Mansell drives into the history books:

Britain's Nigel Mansell (left) led from start to finish in the San Marino Grand Prix at Imola yesterday, becoming the first driver to win the first five races of a formula one season. Mansell has a maximum 50 points in the drivers' championship, 26 clear of second-placed Italian Riccardo Patrese.

Genscher tipped for presidency: Former US secretary of state Henry Kissinger, in an essay for Newsweek magazine, has tipped as a future federal president of Germany Hans-Dietrich Genscher, the former foreign minister.

Mandela hopes for swift resumption of reform talks

Holman and Patti Waldmeir in Johannesburg

EFFORTS to end the deadlock in South Africa's constitutional talks are expected to resume "very soon", Mr Nelson Mandela, president of the African National Congress, said yesterday.

Although Mr Mandela, speaking in Oslo at the start of a visit to Scandinavia, expressed optimism about the outcome, an early breakthrough seems unlikely.

A wide gap emerged between the two main parties attending the Convention for a Democratic South Africa (Codesa), the forum for negotiations, which ended its second formal round of talks on Saturday.

Hopes are now pinned on Codesa's multi-party management committee, which has been given a three-week target by the convention to resolve the impasse.

The high-powered committee will resume talks on the creation of an interim government and interim constitution, as well as on the principles of a permanent constitution to be drawn up by an elected national assembly.

Mr Mandela, stressed at the weekend that this must be a package agreement: "There can be no question of installing transitional executive committees until there is clear agreement on the next phase," he said.

The government's plan, he said, was to "create an interim government which would be made irremovable except by an excessively high majority".

The two-day Codesa session, the culmination of months of preparation, had been in danger of collapse on Friday. The ANC had rejected government demands for what amounted to giving whites, in alliance with other minority parties, a veto in a post-apartheid constitution.

The government also called for a decentralised administration that would give a considerable degree of autonomy to regional and local authorities, a structure that would also favour minority parties.

On Saturday, President F.W. de Klerk angrily denied what he termed "accusations and innuendos that the government promotes continued minority domination or privilege".

But sceptical ANC officials pointed to a passage in the same speech, delivered at the closing session, in which Mr de Klerk spoke of the "reality of South Africa", and referred to "the concern in the hearts of specific language groups, cultural groups, interest groups and regions who wish to be assured that the space in which they live will be safe and protected".

The predicament of the ANC – frustrated by the slow pace of negotiations yet seeing no immediate alternative – was illustrated by sharply contrasting comments on Saturday by Mr Mandela.

In his final address from the floor, the ANC leader said: "We have been able to save Codesa and the peace process. We are going back home full of strength and hope." Less than an hour later, his assessment seemed to have changed markedly. He told a press conference: "Despite all the hard preparatory work put in, nothing concrete has emerged. The negotiation process has stalled."

A damaging fall, Page 15

Hopes of averting German strike fade

By Quentin Peel in Bonn

HOPES of a last-ditch deal to head off the threatened German engineering industry strike were fading last night after two days of intense negotiations between employers and trade union leaders.

Both sides expressed their doubts about the chances of agreement with the approach of the midnight deadline for a revised pay offer set by IG Metall, the industry's main trade union representing 3.7m engineering workers.

Hopes of a settlement focused on the regional talks in Karlsruhe, in north Baden-Württemberg, which is now the only region not to have declared the negotiations a failure. A breakthrough in north Baden-Württemberg, which is home to 700,000 engineering workers, would produce the basis of a settlement in other regions.

Mr Dieter Hundt, the regional leader of the employers' side, emerged from one-to-one negotiations with his opposite number, Mr Walter Riester, declaring: "We still have very big problems." Mr Riester said: "It doesn't look good." But both sides promised to meet again before midnight.

If no deal is forthcoming, the union leadership will decide in Frankfurt today on which regions will hold strike ballots, and therefore which will be called out on strike from May 25. Employers have threatened to respond with a lock-out, bringing broad sections of Germany's most important industry to a standstill.

Both Mr Franz Steinkühler, leader of IG Metall, and Mr Hans-Joachim Gottschol, president of the employers' Gesamtmetall association, were present in Karlsruhe to lend their weight to any chance of agreement.

With the probability of a strike growing, neither side wanted to be seen breaking off talks. However, prospects of a deal looked slim from the start, with Gesamtmetall insisting there would be no pro rata improvement in its pay offer of 3.3 per cent. IG Metall is demanding a rise of 9.5 per cent.

Yesterday afternoon, Mr Hundt insisted there was still room for manoeuvre but, after a second

Continued on Page 16
Anxious employers, Page 2

Flying the flag: America^3 crewman Rick Brent waves the star-spangled banner to celebrate the US yacht's 4-1 victory in the America's Cup over Italian challenger Il Moro di Venezia

Bankers pressed over O&Y rail cash

By Robert Peston and Philip Stephens in London and Bernard Simon in New York

THE UK government indicated yesterday that it wanted an answer soon from creditor banks of Canary Wharf, the east London office development created by Olympia & York, on whether they would meet the £400m contribution to the cost of the Jubilee Line underground railway extension.

It also emerged yesterday that the banks may yet decide to put the development into liquidation after they have received further financial information later this week.

Ministers said the government was willing to negotiate a deal to relocate goevrnment employees from central London if banks decided to keep Canary Wharf out of receivership.

One cabinet minister closely involved with negotiations said the government's position could be summed up in the phrase: "We are not going to subsidise Canary Wharf, but we do want to support it".

Much depends on the rent the government has to pay to take space at the development. Canary Wharf is offering the space, about 500,000 square feet, at £15 a square foot. However, a rival office developer is believed to be offering the government space at £13.

Bankers will meet department of environment officials this week to discuss the possible

Continued on Page 16
US lenders, Page 19

Bonn expected to pull out of fighter aircraft project

By Quentin Peel in Bonn and David White in London

GERMANY is expected to announce at the end of this month a recommendation to pull out of the multi-national European Fighter Aircraft project.

The Bonn government decision would put great pressure on Britain, Italy and Spain – the remaining partners – to abandon the project. They nevertheless insist that they intend to go ahead.

Withdrawal by Germany would force Britain, as the other principal partner, to carry out an urgent review of the cost implications of going ahead with a smaller partnership and smaller guaranteed production.

In anticipation of such a move, Mr Malcolm Rifkind, the UK defence secretary, has begun contingency work to evaluate in detail the savings that could result from concentrating production at fewer assembly plants.

Officially, no final decision has yet been taken by the German government over the controversial fighter, whose first prototype is due to fly this autumn.

A six-member working group drawn from the three parties in the ruling coalition – Christian Democrats (CDU), the Christian Social Union (CSU) and the Free Democrats (FDP) – is supposed to produce a report on the EFA by June 1, to be submitted to their parties, and then to the government.

Mr Rühe, the newly appointed defence minister, is now expected to deliver his own recommendation at the same time.

Several apparently well-sourced reports in the German media insist that his decision will be negative.

However, the ultimate decision on a new generation of fighter aircraft for the Luftwaffe beyond 2000 remains unclear. Reports suggest that the EFA, or Jäger 90 – as it is known in Germany – could very well still be bought when a final decision is taken in 1998.

Welt am Sonntag reported yesterday that General Jörg Schönbohm, the defence ministry official in charge of arms procurement, will fly to London, Rome and Madrid in the next days to discuss possible compensation payable by Germany.

A decision to quit the project would be politically popular in Germany as it would signal a willingness on behalf of the government to sacrifice prestige projects to help pay for the costs of unification.

But, the move could also cause severe strains within the coalition, since the Bavaria-based CSU, the smallest partner, is strongly committed to going ahead.

Most of the 10,000 defence industry jobs which would be lost in the event of a German pullout are concentrated in Bavaria. Munich-based Deutsche Aerospace is the main German contractor, through its subsidiaries Messerschmitt-Bölkow-Blohm and Motoren- und Turbinen-Union.

The irony is that the savings resulting from cancellation of Germany's participation are likely to be modest, particularly in the next "pre-production" phase. Germany is already committed to paying its full share of development costs, continuing into 1993.

The big savings would come only towards the turn of the century, when the Luftwaffe will anyway need a new aircraft, whether German-built or bought off-the-shelf.

British Aerospace, the UK partner in the EFA airframe, will argue strongly that cost savings can be achieved through the reduction in the number of assembly plants that would result from a German pullout.

However, the UK would have to take on the dominant role in the project. The ministry of defence would have to satisfy the Treasury that this did not involve significant financial risks.

The UK and Germany have each held shares of 33 per cent during the development phase, Italy 21 per cent and Spain 13 per cent.

Austria	Sch30	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1 000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4 10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.60	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

CONTENTS

Anxious German employers weigh up interests

Andrew Fisher on prospects for the engineering sector in the event of a strike

SOME German engineering executives are shivering in their shoes at the thought of a strike, while others are keen for a fight and the rest are playing it cool.

With such a big gap between the demand by the powerful IG Metall trade union for a 9.5 per cent pay rise and the employers' offer of 3.3 per cent, a strike would seem inevitable. Employers have said they will resort to widespread lockouts if industrial action occurs.

However, the seriousness with which the latest round of weekend talks was being taken in the southern state of Baden-Württemberg suggested a desire to reach an accord, if possible; the state is home to such doyens of German industry as Daimler-Benz and its Mercedes-Benz car and truck subsidiary, Robert Bosch, the components company, and Porsche sports cars.

A strike would be expensive for both sides. The question is whether employers look more to short- or long-term interests. Many of Germany's small- and medium-sized engineering and components manufacturers have said last year's near 7 per cent settlement was too much for them. Now, with domestic and foreign markets weaker and foreign competition stiffening, they want as low a deal as possible. If that means a strike to preserve longer-term competitiveness, many are prepared for that.

There is a heavy concentration of such *Mittelstand* companies in north Baden-Württemberg, where the weekend talks took place in Karlsruhe. Deals agreed there in recent years were adopted in the rest of the country. During the last strike called by IG Metall in 1984, many *Mittelstand* operations were hit hard. But the big companies also suffered. Bosch, with its central importance as a supplier to car manufacturers, was a strategic target for the union, which was able to achieve its object without calling out its members across the country.

However, the law has been changed so workers at plants affected by a strike elsewhere do not receive welfare payments if they have to stop work. This could put pressure on the union to make its strikes more widespread so that all workers involved in industrial action receive strike pay. On the other hand, such tactics would also quickly reduce IG Metall's coffers.

Either way, it could make for a short strike, if there is one. Stuttgart, the local capital, is where the big companies such as Mercedes and Bosch are based, but *Mittelstand* companies are scattered through the state. Altogether, the region where the talks are being held has 700,000 of west Germany's 4m engineering workers. But it is not the only concentration of engineering might. The industry employs more than 800,000 people in the neighbouring state of Bavaria, home to the BMW and Audi car manufacturers, Kugelfischer (bearings), and MAN (trucks, printing machinery, and diesel engines).

The biggest block of output, however, is located in the state of North Rhine-Westphalia which has nearly 1m engineering workers and includes the traditional heavy industrial area of the Ruhr. Many employers in the state, such as Mannesmann, Thyssen, Krupp, and Hoesch, have switched their emphasis from steel and heavy engineering to high-technology sectors such as components and automation. But that does not make them less vulnerable.

Modern production methods mean that plants which rely on just-in-time deliveries – notably in the car industry – could be shut down quickly. Volkswagen, in the more remote town of Wolfsburg in Lower Saxony, a state with 120,000 engineering workers, turns out 4,000 cars a day there. Its Bavarian-based Audi subsidiary makes 2,000 daily. In the state of Hesse (360,000 workers in the industry) Opel, the General Motors subsidiary, has its main plant near Frankfurt, while the local subsidiary of Ford of the US is based in Cologne, south of the Ruhr.

Mr Ferdinand Piëch, head of Audi, said last week that a strike would cost the company some DM30m ($18.3m) a day in lost revenue. But each 1 per cent on the wage bill would also add DM30m a year to its costs. "I hope there is no industrial conflict," he said. But since other companies seemed to be eager for one, "I see little chance that this will not happen."

Audi is profitable and racing to meet high demand, so it could well do without a strike. But some components companies which are losing money because of weak foreign markets have indicated that they would not mind a brief shutdown. Whatever happens, many companies are likely to consider shifting more output to lower-cost countries. That is what Bosch did after 1984.

Swiss vote narrowly to embrace the IMF and World Bank

THE Swiss took a big step off their traditional isolationist pedestal yesterday as a slim majority voted in a referendum to endorse their government's desire to join the International Monetary Fund (IMF) and the World Bank, writes Ian Rodger in Zurich.

As has become customary in Swiss plebiscites, the turnout was a feeble 39 per cent, and only 55 per cent of those voted were in favour. Still, the result will give a big boost to those Swiss who believe that their country's future lies in abandoning isolationism and joining more international and European institutions, including ultimately the European Community.

Within the next year, two tough referendum battles on European issues are expected. The first, in September, is to approve the construction of new rail tunnels through the Alps. The second, not yet scheduled, is to ratify a recent agreement that would bring together the seven countries of the European Free Trade Association, including Switzerland, and the European Community into the European Economic Area (EEA).

The result of the IMF referendum, which would make Switzerland the Fund's 157th member, will come as a relief to officials of the Swiss National Bank who have long been embarrassed that a country with as large a stake in the world economic and financial systems was unable to participate in the deliberations of the Bretton Woods institutions.

It may also give a boost to the Swiss franc, which has been uncharacteristically weak in recent months.

The vote on the IMF confirms a substantial shift in Swiss sentiment since 1986, when voters decisively rejected a government proposal that the country join the United Nations.

Munich airport takes off after 30 years of fuss

By Christopher Parkes in Munich

FLUGHAFEN München Franz Josef Strauss, a memorial to Bavaria's most-loved prime minister and a monument to German patience, opened its bright new runways to commercial air traffic yesterday.

Overnight, almost 700 trucks, 1,600 rail wagons and 5,000 people shifted all the moveable paraphernalia – workshop equipment, mobile aircraft steps and the contents of 9,000 offices – out of the old Riem airport, and switched out the lights.

After more than 30 years of planning, litigation, stop-go building and more litigation, Munich's new air transport hub went straight to work with no fuss. All the ceremonial button-pushing had been done well in advance before Sekt-sipping audiences of invited guests.

There were no bands, booze or brouhaha to greet the first wave of paying visitors. The protesters who have dogged the project since its inception managed a small show of force, but kept their main events for villages in the surrounding countryside.

Meanwhile the new airport's customers, siphoned from their aircraft, trains and cars directly into the main concourse of the single, 1,000-metre-long terminal, quickly discovered what life is like inside a pinball machine.

Getting lost is impossible. Getting around is mindless. Brain cells concerned with anxiety are left free to ponder who put the cat out. Immaculate signposts in English and German shunt travellers left, right, up, down and along walkways and escalators which deposit them at their appointed slots in the array of nine gate areas.

There are no satellites, arms, fingers or any of the other appendages commonly tacked on to other international airports.

The concourse, a white, grey and blue confection in steel tube, with all the charm of the inside of a washing machine, features environmentally-friendly rubbish bins but hardly anywhere to sit without having to pay through the nose for a beer and a bun.

Bavaria's showpiece has already cost DM8.5bn ($5.15bn) – 39 per cent from the state and the balance from private financing – and the returns are already flowing in.

The airport's own turnover, expected to reach DM1bn a year by 1995, is only a part of the reward. According to Mr Willi Hermsen, managing director, the project provided up to 6,000 jobs in the building period and there are more to come.

Almost 120 airlines have elected to use Munich II, as it is now known, compared with 80 at Riem. Able to handle 75 aircraft movements an hour, it already has 15 per cent more capacity than Frankfurt. By 2000, passenger throughput is expected to almost double from today's estimates of 11m a year, and there is already talk of another terminal being built.

Mr Hermsen reckons local outside contractors can count on DM75m a year in work from the airport. On the site itself, 300 companies currently employ 12,000 people, a total destined to grow to 20,000 by the end of the decade.

Beyond the perimeter fence, and all along the 30km road to Munich, cranes and earthmovers mark the sites of new hotels, offices and industry parks in an area formerly kept for cabbage and sugar beet. Land prices, between DM30 and DM50 a square metre 10 years ago, now range between DM500 and DM1,000.

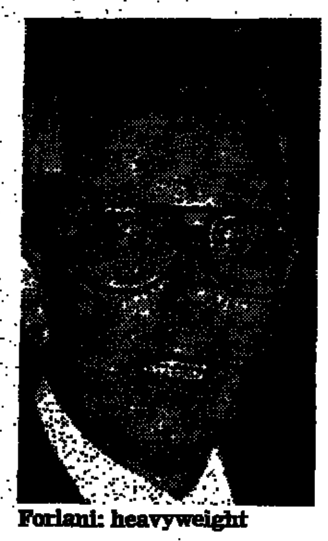
Meanwhile, the local resistance movement, which put up an estimated 7,000 legal challenges to Munich II during planning and development, is bracing itself for the next round. Targets: the extra terminal and the likely need for new road and rail connections.

Forlani forced to pull out of Italy's presidential race

By Robert Graham in Rome

ITALY'S Christian Democrats suffered a big reverse yesterday when the leadership was forced to withdraw the party's official presidential candidate, Mr Arnaldo Forlani, from the race.

The withdrawal of Mr Forlani after he twice failed to obtain sufficient backing in the special parliamentary vote for the presidency is likely to complicate the five-day-old process of choosing Italy's ninth post-war head of state.



Forlani: heavyweight

The opposition to Mr Forlani, the Christian Democrat party secretary, also underlined the serious divisions within both the party and its allies in the outgoing government coalition.

The presidential race was last night again open, with the Christian Democrats reconsidering the whole basis of their alliances and whether they should seek a candidate from within their own ranks.

Mr Forlani had only emerged as the Christian Democrats' official candidate on Friday after a series of hectic late-night negotiating sessions and four inconclusive rounds of voting in parliament.

When he stood in the fifth and sixth rounds he got 469 and 479 votes. This was well short of the simple majority of 508 votes required after the first three rounds in which a two-thirds majority was necessary, had passed.

As one of the party's most experienced political figures and the man responsible for strategy in the April 5 general elections, Mr Forlani had been chosen as a heavyweight to rally support among a demoralised and divided party. The Christian Democrats had also counted on the support of their allies in the outgoing coalition – the Socialists, Liberals and Social Democrats.

In theory the four should have been able to muster 539 votes if all the deputies, senators and regional council representatives had backed Mr Forlani.

The failure of Mr Forlani underlines the virtual impossibility in the present parliamentary climate of finding a presidential candidate proposed solely by the outgoing four-party coalition.

Bank of Japan

We have been asked to make it clear that the figures concerning doubtful debts of Japanese financial institutions quoted in Saturday's Financial Times are estimates by Japanese bankers and not the Bank of Japan. The estimates are based on bankers' own assumptions and various data. The correct range of the bankers' estimates of the total bad and doubtful debts of banks and financial institutions is Y42,000bn-Y86,000bn as given by the table accompanying the article.

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Lamont to face pressure over VAT

By Andrew Hill in Brussels

BRITAIN'S European Community partners and the European Commission are likely to put Mr Norman Lamont, the UK chancellor of the exchequer, under pressure tomorrow to abandon his hard line against legally binding EC rates of value added tax (VAT).

EC finance ministers will meet in Brussels to discuss for the first time the most sensitive aspects of indirect tax harmonisation, including draft directives which would give a legal form to last June's historic agreement on VAT and excise rates.

Ministers agreed then to keep to a 15 per cent minimum standard rate of VAT from January 1 1993, to abolish special top rates on luxury goods, and to simplify reduced rates.

Mr Lamont won almost all the concessions the UK required – the right, for example, to keep zero-rating on certain household necessities – but the Commission has so far shied away from asking Britain to back a legally binding directive. Like all EC tax measures, the directive on the table tomorrow requires the unanimous approval of the 12 member states.

The British government does not see the need for legal constraints on VAT rates and is also suspicious of Commission-inspired measures which bind UK fiscal policy.

British officials in Brussels refused to comment at the weekend about whether the chancellor's position had changed since last June, when a succession of meetings was required even to reach a broad political agreement.

Moreover, the ministers are unlikely to reach formal agreement on any of the fiscal measures under discussion tomorrow. These highly sensitive areas include a revived proposal to impose VAT on art works and collectors' items, and measures to enshrine last June's agreement on harmonised excise duties on alcohol and tobacco.

Tough entry proposals for new EC states

By David Gardner in Brussels

THE European Commission wants to set high entry requirements for new members of the EC before the Community's next constitutional review in 1996.

This was the main outcome of last week's closed Commission debate on enlargement, at which all but two of the 17-strong EC executive agreed to shelve plans to seek a redistribution of power among Community institutions to accommodate new members.

Because early membership will allow such countries as Sweden and Austria to take part in the 1996 review, intended to launch the next phase of the European Union agreed at Maastricht, Brussels wants to commit entrants before then to accepting the logic of greater integration – including an eventual common defence policy.

The Commission fears that, otherwise, member states like the UK will be encouraged in their efforts to dilute integration.

The confidential discussion document setting out the implications of opening the EC to up to 30 members makes clear that the Commission is looking at a radical reform of the Community power structure in the medium term, as new waves of members come in from Nordic and Alpine countries, eastern Europe, and the Mediterranean.

Last Tuesday, Mr Jacques Delors, Commission president, denied to Danish journalists that he had suggested strengthening the powers of the EC executive at the expense of small member states.

The denial followed an attack on Mr Delors by Mr Uffe Ellemann-Jensen, the Danish foreign minister, who warned him that rumours of the Commission's plans were jeopardising the outcome of the June 2 referendum in Denmark to ratify the Maastricht treaty on economic and monetary union (Emu) and political union.

The confidential document is drawn up by the Commission's Enlargement Task Force, to assist the Commission in preparing a report on "widening" the EC for the Lisbon summit on June 26-27. It includes as possible reforms:

- a "group-presidency" of three member states to replace the current system, whereby the presidency rotates each six months alphabetically among the 12, regardless of their size and administrative capacity. The group formula would have a president and two vice-presidents who would share presiding over internal EC business each four months; these groups would rotate alphabetically each year, but with "modulation to avoid conjunctions such as Latvia, Lithuania, Luxembourg", the document says. It leaves open the sensitive issue of whether "big" states should always lead the group.
- a strengthened executive "combining elements of presidency and commission, and accountable to parliament and council." Like much of the document, this suggestion is accompanied by a question mark.
- an extension of majority voting. The current qualified majority system requires 54 votes, or 71 per cent of 76 votes, apportioned according to size of country. The document's most radical suggestion is to "freeze the qualified majority at its present level of 54 votes, so that each successive enlargement [with more votes added to the total] reduces the relative level, from 71 per cent progressively towards 50 per cent."

These formulae would favour member states like Germany, concerned to strengthen integration while opening up the EC, as well as France, which wants to "deepen" before any "widening". Senior Brussels officials make clear that consideration of them has been shelved, so as not to endanger ratification of Maastricht by the 12.

Lone Dane in Maastricht campaign

By Hilary Barnes in Copenhagen

AT 6.55am today, at the fish auction in Skagen, Danish foreign minister Uffe Ellemann-Jensen was due to begin a six-day campaign to persuade Danes to say Yes to the Maastricht Treaty on European Union.

His 33-meeting campaign, by far the most energetic by any politician, may have a crucial influence on the vote in a referendum on June 2. Opinion polls indicate that the result could go either way.

Mr Ellemann-Jensen begins his campaign after a week in which he forced Mr Jacques Delors, president of the European Commission, to deny a rumour that he and his staff were considering a plan to limit the influence of the EC's smaller nations.

Denmark will be the first of the EC countries to approve or reject Maastricht, and only one other country, Ireland, will be holding a referendum.

"It is not Europe's future which is at stake. If Denmark says No, we shall see a new Maastricht Treaty with 11 signatures, and in practice a new Rome Treaty with 11 signatures," he predicted.

Among other things, Denmark, one of the Community's largest agricultural exporters, would risk losing the benefits of the Common Agricultural Policy, he said.

If the vote is No, the Danish government will ask the other governments for a renegotiation of the Maastricht Treaty, but Mr Ellemann-Jensen, foreign minister since 1982, regards renegotiation as a non-starter. "The treaty is a Pandora's box which no one wants to open. So we shall have to see what we can save from the wreckage."

Ellemann-Jensen: treaty a Pandora's box

Pro-Maastricht politicians in the opposition Social Democratic party say the foreign minister's enthusiasm for Europe and his plain-speaking about the consequences of rejection amount to scaremongering and may help to ensure that the treaty is voted down. But their party, which favours the treaty, seems to have given up. Its recently elected leader, Mr Poul Nyrup Rasmussen, has only four public appearance meetings on his calender for the coming two weeks, and two of those have nothing directly to do with Maastricht.

"It is not surprising if I am beginning to feel somewhat lonely on the barricades," says the foreign minister

European opinion polls consistently show the Danes to be among the most sceptical about the European Community, but Mr Ellemann-Jensen regards this as misleading.

It is connected with the fact that the Danes take themselves seriously. "We have more thorough debates than anyone, amounting almost to self-torture. There is no other country where the Maastricht Treaty has been examined in every detail, as it has in Denmark, both before and after it was signed.

"But I might discreetly remind you that we are the nation that tops the list of those who live up to their obligations. We are the country which has gone furthest in introducing the rules for the internal market and which has the fewest cases brought against it in the European Court."

Danish doubts about European union he ascribes partly to past failures to draw attention to the political aspects of European co-operation. In 1972, when there was a referendum on joining the EC, the issue was pork prices, and in 1986, when there was a referendum to approve the Single European Act, the issue was competitiveness. "So it is something new when we now come clean and explain that it is primarily a political question. It has caused a good deal of confusion."

In both 1972 and 1986 opinion polls also showed the voters to be sceptical, but when it came to the point there were large majorities in favour. And in 1992, "I am convinced we shall see a Yes," says Mr Ellemann-Jensen.

High-tech future for food retailers

By John Thornhill

THE EUROPEAN MARKET

THE structure of the food retailing industry varies enormously across Europe: how pizzas, paellas and pasties are sold remains a largely parochial affair.

Europe's food retailing markets are still dominated by domestic companies – with the possible exception of French hypermarkets in Spain. Those in northern Europe are characterised by a few, powerful grocery chains while the southern sunbelt boasts highly-fragmented regional industries.

Although they have similar numbers of consumers, Italy has three times as many food retailing outlets as the UK, for example.

But in spite of the differences, food retailers across Europe are facing many common challenges: flat sales; a static and ageing customer base; the increasing internationalisation of their supplier base; and perhaps most important, inflated demands for variety, quality and choice.

In order to respond to such changes, J. Sainsbury, the leading grocery chain in the UK, launches more than 1,000 own-label products every year and stocks more than 15,000 lines in its bigger stores – almost twice the number of a decade ago.

The future velocity of change will be even more daunting, if the experience of the US is any guide. Last year alone, according to one observer, food makers launched 123 new cereal products, 64 new flavours of spaghetti sauce, and 69 new variations of disposable nappies. There are more than 30,000 lines in the average US supermarket.

Against this increasingly complex background, food retailers have to generate growth by squeezing more profit out of the same sales volumes through productivity improvements and greater distribution efficiency. Some observers believe recent technological developments have brought scope for vast structural change across the European grocery trade.

Mr John Hollis, a senior partner at Andersen Consulting who has conducted a study of the European market in the 1990s for the Coca-Cola Retailing Research Group, says: "Over the next five years we will see a major change in the way the grocery industry organises itself."

He believes differences in distribution efficiency will mark national industries, with the implication that companies which can develop a successful formula will be able to translate their success into foreign markets.

The ultimate dream for retailers is to develop a "stockless distribution chain" with suppliers which will give them enormous cost advantages by reducing the need for expensive storage space.

The report suggests the two main routes to this are electronic point of sale (Epos) equipment, which scans the bar-codes on all products sold, recording supermarket sales patterns throughout the day, and electronic data interchange (EDI), which creates an information network between retailers and manufacturers allowing both to align their operations more closely to sales patterns.

Some of the most skilled practitioners of these developments have been the big UK retailers, which have introduced Epos equipment, stopped direct manufacturer supplies to their stores and centralised their distribution functions.

This process has reached the stage where Tesco has been able to open a supermarket in Leatherhead, in Surrey, with no warehouse space at the back. Instead, it receives its goods through a series of meticulously-calculated daily deliveries.

But the Andersen report suggests that such companies have as yet fully tackled only half of the distribution chain. The challenge in the 1990s will be to attack the manufacturing end through speedier exchange of sales information using EDI networks, as Tesco is beginning to do.

To be effective, such partnerships will require a high degree of transparency and trust. Retailers have to trust manufacturers with sensitive sales information and be confident they can deliver to tight lead times, while manufacturers have to open up their operating procedures to the retailers' scrutiny.

But if the two sides fail to establish such partnerships an alternative scenario may emerge. If food makers can adopt highly flexible manufacturing methods and create joint distribution networks with one another, they could perhaps create entirely new retail channels, bypassing traditional supermarkets altogether.

Stores may simply become compact "idea centres" where customers pick what they want to buy from a display of products and later collect ready-packaged bundles of goods from a nearby distribution centre.

Or the dream of every couch potato may be realised, with electronic home shopping and direct delivery becoming economically feasible.

World Bank's annual development report breaks ranks with some conventional wisdom

Clean environment 'compatible with growth'

By Michael Prowse
In Washington

THE World Bank paints a Dr Jekyll and Mr Hyde picture of the environmental outlook in its annual world development report.

It says rapid economic growth can be compatible with an improved environment, but only if developing countries commit themselves to radical reforms costing 2-3 per cent of annual gross domestic product (GDP). In the absence of reforms, "appalling environmental damage" is likely.

Over the next 40 years the bank expects the world's population, now at 5.3bn, to grow by more than two-thirds to about 9bn. About 90 per cent of the increase will occur in developing countries. Food demand is expected nearly to double while global industrial output and energy consumption will more than triple.

Green lobbyists may wonder at the bank's arithmetic: how can environmentally sound growth be bought at the price of a few per cent of GDP a year?

The bank's answer is to attribute no intrinsic value to the environment as such: destruction of natural capital is not counted as a charge against current production. It then claims that the level of output is only one of several factors influencing pollution.

Clean technologies can reduce the environmental damage inflicted per unit of raw material consumed and improved economic efficiency can reduce the inputs required for a given level of output. Changes in prices can reduce demand for environmentally-damaging products.

The reassuring conclusion is that rapid growth need not threaten the environment. Dozens of colourful graphs reinforce the message.

Divergent lines show how the environmental outlook can be good, mediocre or awful – depending on the policies of developing countries. If nothing is done, for example, vehicle emissions will rise more than fivefold by 2030; with tough reforms, they could fall.

Experience in rich countries shows that growth and pollution can sometimes be "delinked". Since 1970 the output of rich countries has risen by 80 per cent yet lead emissions, for example, have fallen by 50 per cent in Europe. Air quality has improved, yet the annual cost of anti-pollution measures has been less than 1.5 per cent of GDP.

The bank's ranking of environmental priorities sharply diverges from conventional wisdom. In order of importance the third world's problems are:

- Lack of clean water and sanitation. Some 1.7bn poor people *lack access to sanitation while* 1bn lack clean water. This causes 900m cases of diarrhoeal diseases a year and more than 3m children die.
- Air pollution. Some 1.3bn people live in urban areas where output of particulates (for example, dust and smoke) far exceed safe levels. Between 300m and 700m people, especially women and children, experience chronic indoor air pollution from cooking fires.
- Soil degradation. The loss of productive potential in rural areas due to soil erosion depletes GDP by as much as 1.5 per cent a year. The problems reflect poor farming methods and inefficient irrigation as well as advancing deserts.

The bank says these chronic problems mainly reflect lack of development rather than too much growth. The way to *tackle them is by reducing poverty*. The single most important step is better female education, which would sharply reduce family size and promote sounder agricultural policies as women are usually the "principal managers of natural resources".

Some environmental problems are side-effects of growth. *The loss of natural habitats* and biodiversity is one example. Tropical forests are being depleted at a rate of just under 1 per cent a year. Animal species are also being destroyed at an accelerating pace.

Global warming is a second example. The build up of carbon dioxide is expected to raise *average temperatures by 3* degrees Celsius within a century – and perhaps by more than 5 degrees Celsius.

The bank advocates two kinds of green reforms. The first are "win-win" policies offering benefits without negative effects on growth. The most important include:

- The removal of economic distortions. *Developing countries* encourage pollution by spending $230bn (£130bn) a year on energy subsidies. Deforestation is also encouraged by the charging of logging fees covering less than a third of the cost of replanting trees.
- Clarification of property rights. Resources such as forests are being depleted because *people have open access to* them. Where ownership rights are firmly established, as for metals and minerals, demand is rationed by rising prices which also encourage the use of substitutes.

The bank concedes, however, that "win-win" policies alone will not suffice. Some "win-lose" policies restraining growth *to achieve environmen*tal goals are inevitable.

It urges the use of market-based policies, such as taxes on polluters or tradeable pollution permits. US studies indicate flexible policies can sharply reduce the overall cost of pollution curbs by encouraging the producers least disrupted to shoulder the greatest burden. In some cases, however, market-based policies will have to be bolstered by direct "command-and-control" regulation.

The report says developing countries should bear most of the costs of local environmental programmes. These could amount to 2-3 per cent of GDP a year, but would be reflected mainly in higher prices for consumers rather than in government outlays.

However, as the world's *worst polluters, industrial* countries should bear much of the burden of meeting global challenges, such as preservation of forests and animal species and the curbing of global warming. Such transfers should be seen as imports or "payments for services rendered" rather than aid.

Indeed, the bank points out that, if "rights" to carbon emissions were based on population density, industrial countries would already have exceeded *their quota and ought to* pay compensation for their current emissions. Such compensation would roughly equal current development finance.

The bank's underlying message is positive; some would say too good to be true. If governments can muster the political will to make rational – yet relatively inexpensive – *reforms* an extra 3.7bn people can enjoy rapid growth without threatening the environment.

Development and the Environment, The World Bank, 1818 H Street, N.W. Washington DC.

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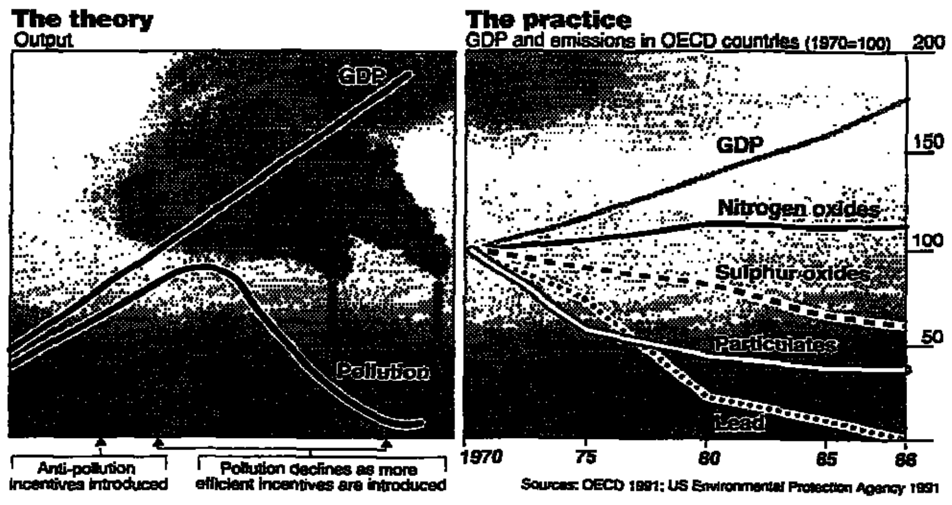
GDP growth and pollution: Breaking the link



Sources: OECD 1991; US Environmental Protection Agency 1991

Population level poses big threat

By David Lascelles,
Resources Editor

RAPID growth in the world's *population, most of it* among people living in poverty, poses one of the gravest threats to the environment. "The result is overgrazing, deforestation, depletion of water resources and loss of natural habitat," *says the report.*

Over the next 30 to 40 years the world's population could rise by a further 3.7bn people, from its present level of 5.3bn. In most parts of the world this growth will come among urban *dwellers. Only in Africa will* more than half the population still be living on the land.

The report makes the gloomy comment that the earlier goal of reducing the number of poor in the world between 1985 and 2000 will now not be achievable. At the end of this century the number of poor is now projected to exceed 1.1bn people.

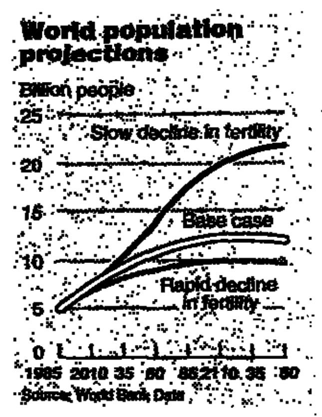
The report says four policy aims should be adopted to check these trends:

- Incomes of poor households must rise.
- Child mortality must decline.
- Educational and employment opportunities (especially for women) must expand.
- Access to family planning services must be increased.

The report says investment in female education yields some of the highest returns for development and the environment, as better-educated mothers raise healthier families and have fewer children.

Family planning also helps. Contraceptive use in developing countries expanded from 40 per cent to 49 per cent over the last decade. But there is large, unmet demand for contraceptives and their use must continue to rise sharply to keep population growth under control.

World population projections



Source: World Bank Data

Plans for a better world could cost $75bn a year

By David Lascelles

THE crunch in the World Bank's report is over the cost of its proposals. The total sum needed to finance work on water and sanitation, electric power, road transport, emissions, agriculture, population and female education could reach $75bn (£42.3bn) a year by 2000.

This would be over and above investments which are already being made, and would amount to 1.4 per cent of the GNP of developing countries. But the report is quick to point out that these additional *investments should* pay off because countries with good economic policies grow twice as fast as those without.

Much of the money will have to come from the developing countries themselves. But more must come through an open international trade system, and adequate access to the international capital market. A further source will be official aid from the developed nations.

The World Bank tries not to be daunted by the task ahead. *Despite what the doomsayers* predict, poverty could be eliminated in the next generation, the world's water-based problems could be solved and food production raised without harming the environment. But it will all depend on rising incomes, investment, education and increased employment.

Water and sanitation listed as top priorities for developing countries

By David Lascelles

MANY of the world's most pressing problems can be traced to one vital resource: water. All too frequently it is either scarce or contaminated.

The World Bank report puts dirty water and inadequate sanitation at the top of the developing countries' priorities.

While rivers in high-income countries are becoming cleaner, they are not improving in middle-income countries, and in poor countries they are actually getting dirtier.

Much of the contamination is caused by disease-bearing human waste. *As surface water becomes less* usable, people turn to ground water. But this too is liable to increased pollution from seepage of improperly disposed chemicals and other hazardous wastes.

Although progress has been made in bringing sanitation to the world's population, little has been done to treat human sewage. In Latin America, as little as 2 per cent of it receives any treatment. It is estimated that worldwide 1.7bn people are without access to proper sanitation. *It is also calculated that at least* 170m people in urban areas still lack a source of drinking water near their homes. The number in rural areas without safe water is put at 855m.

Twenty two countries face a permanent and severe water shortage; 18 more go dangerously short in years of poor rainfall.

Because of the big role played by water in bearing diseases such as typhoid and cholera, a clean-up in the water system can bring rapid benefits to human health.

If all those people now without safe water and adequate sanitation were to receive it, the World Bank estimates that 2m fewer young children would die of diarrhoea, and hundreds of millions of people would be spared various infectious diseases.

But it is an enormous task. In Nigeria, for instance, providing access to clean water for the whole population by the year 2030 would mean increasing the number of urban mains connections four times, and of rural connections almost nine times.

The World Bank *recommends* an action programme for more efficient management of water resources. This would include providing at full cost those services that people want and are willing to pay for, such as supplying water and collecting waste. Both community organisations and the private sector have a role to play in providing the right response, the report says.

UN peacekeepers pull out of Sarajevo

By Laura Silber in Belgrade

UNITED Nations peacekeeping forces yesterday left Sarajevo, the capital of Bosnia-Hercegovina, as Serb irregulars tightened their grip on the republic.

A convoy of 40 vehicles, carrying 80 UN soldiers and personnel, including General Satish Nambiar, the Indian force commander, yesterday split in two and headed for safety in Zagreb, the capital of Croatia, and Belgrade, the Serbian and federal capital.

This followed the withdrawal on Saturday of some 200 peacekeepers, which left about 120 soldiers and unarmed military observers in the besieged capital.

The UN was forced to pull *out by increasing violence* in the fighting between Serb irregulars, backed by the federal army, and the mainly Moslem Bosnian forces for control of the capital.

Although a lull in the fighting was reported yesterday, a demand by Bosnian authorities for the federal army to quit two barracks in Sarajevo was expected to lead to new clashes.

Mr Hajrudin Somun, an official of the Bosnian presidency, also demanded that the army leave their weapons.

Bosnia's poorly-armed forces have been unable to stop Serb irregulars from seizing control of two-thirds of Bosnia's territory. Belgrade radio yesterday reported that Serb forces surrounding the eastern town of Gorazde demanded that Moslem forces surrender in order to "liberate" the town, near the River Drina which marks Bosnia's eastern frontier with Serbia. Gorazde, which is 70 per cent Moslem, is one of the last outposts of Moslem control *in eastern Bosnia.*

The European Community and the US have placed most of the blame on Serbia for destabilising Bosnia. International attempts to stop the violence in Bosnia have so far failed to force Serbia, under President Slobodan Milosevic, into a change of policy.

Instead, in an effort to further isolate the young republic, the Serb-led federal army yesterday refused to allow journalists to cross into Bosnia from *Serbia.*

The UN withdrawal from Sarajevo, which will remain the symbolic headquarters of peacekeeping operations in neighbouring Croatia, is likely to demoralise its battered population. Crowds of Moslems threw lilacs and cheered the UN convoy, though it was forced to stop at dozens of Serb barricades as it crawled through Bosnia.

But Serb villagers, showing their anger at international *diplomatic pressure against* Serbia, spat and jeered as the white UN lorries passed through self-proclaimed Serb territory. Most Serbs, who make up 31 per cent of the 4.35m population, oppose independence, which is backed by Moslems and Croatia.

Meanwhile, the inhabitants of the north-eastern city of Tuzla feared that the army would retaliate for the death of nine federal soldiers on Friday night.

Local authorities said fierce explosions shook Tuzla and Bihac, in north-west Bosnia, when the Serb-led federal air force detonated explosions at airports, including underground runways and hangars.

Serb soldiers from Bosnia search an area near an eastern Bosnian village close to the border with Serbia

Growth too sluggish to cut unemployment, says OECD

By Peter Norman in Paris

ECONOMIC growth will be too sluggish to make inroads into the industrialised world's 30m jobless total this year, according to the latest projections from the Organisation for Economic Co-operation and Development.

The OECD, which released the figures today to coincide with its annual ministerial meeting in Paris, now expects real growth of 1.8 per cent this year in its 24 member countries compared with a projected 2.2 per cent last December.

Unemployment is expected *to jump to 7.5 per cent of the* labour force this year, or roughly 30m people, from 7.1 per cent last year.

It will only start a slow decline to 7.2 per cent of the labour force by the second half of next year as growth recovers to around 3 per cent. The Paris-based think tank's assessment of growth prospects in 1992 reflects a sharp downwards revision of forecast *growth in Japan and western* Germany in the first half of this year. In western Germany's case, the OECD forecasts growth in the first and second halves of 1992 at annual rates of 2.2 per cent and 2.1 per cent respectively compared with its December projections of 3.3 per cent and 2.6 per cent respectively.

The organisation expects Japan will grow at an annual rate of only 1.5 per cent in the first six months of 1992 compared with its December 1991 forecast of 2.7 per cent.

Japan's sluggish domestic growth is reflected in a sharp rise in its current account surplus. The OECD now expects this will be between $92bn (£51.3bn) and $93bn in both 1992 and 1993 against last December's forecasts of just over $80bn in each of the two years. Although Japanese imports have sparked resentment among some US citizens, the OECD has revised down its forecasts of the US current account deficit to $41.1bn in 1992 from $55.8bn previously and $49bn in 1993 from $60.6bn in its December forecast.

The revisions are in line with a greatly improved US export performance recently.

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OECD ECONOMIC OUTLOOK
Summary of Projections*
(Seasonally adjusted at annual rates)

	1990	1991	1992	1993
Real GDP (% change)**				
US	1.0	-0.7	2.1	3.6
Japan	5.2	4.5	1.8	3.1
Germany	4.5	3.1	1.3	2.3
OECD Europe	2.8	1.1	1.4	2.4
Total OECD	2.5	1.0	1.8	3.0
*World Trade (% change**)*	5.3	3.9	5.6	6.6
Inflation (GDP deflator)(% change)**				
US	4.1	3.6	2.8	2.8
Japan	2.1	1.9	1.7	1.6
Germany	3.4	4.6	4.5	3.8
OECD Europe	5.8	5.9	5.1	4.4
Total OECD	4.4	4.1	3.5	3.2
Current Balances ($bn)				
US	-92.1	-8.6	-41.1	-49.0
Japan	35.8	72.6	92.4	92.8
Germany	47.1	-19.8	-15.5	-12.7
OECD Europe	-16.7	-45.6	-41.8	-40.0
Total OECD	-107.6	-15.8	-26.9	-33.7
OPEC	17.5	-45.9	-33.9	-31.6
Non-OPEC dev countries	-19.1	-26.5	-26.7	-28.3
Unemployment (% of labour force)				
US	5.5	6.7	7.1	6.5
Japan	2.1	2.1	2.2	2.3
Germany	4.9	4.3	4.7	4.8
OECD Europe	8.0	8.7	9.3	9.3
Total OECD	6.2	7.1	7.5	7.3

**Assumptions include: no change in policies; no change in exchange rates from May 5 1992 i.e. $ = Y132.75 and DM1.64; oil price $17 per barrel for first half 1992 and constant in real terms thereafter. Cut off date for other information used in the projections was May 13. In case of Germany, data for GNP, inflation, labour markets refer to western Germany only. But current balances refer to united Germany. **from previous period*

Source: OECD. To be published with OECD Economic Outlook 51 in June 1992

Armenia attacks key town in Azerbaijan

By John Lloyd in Moscow

ARMENIAN military formations have taken advantage of the political instability in the Azerbaijani capital of Baku to launch a direct assault on a key town in Azerbaijan. Armenia is trying to create a land bridge between it and the disputed Armenian-dominated enclave of Nagorno-Karabakh in Azerbaijan.

The creation of a land link between *the Armenian republic and its ethnic* kin in Nagorno-Karabakh would elevate the increasingly bitter guerrilla campaign into a full-blown military confrontation between the two Caucasian republics. Such a war would threaten to draw in not only Russia and other former Soviet states, but also Turkey and Iran, which border Armenia and Azerbaijan to the south.

Baku itself was reported calm yesterday, after the opposition Popular Front had taken control of the parliament and TV station following the deposition of President Ayaz Mutalibov. His brief reinstatement last Thursday by supporters in the parliament sparked mass demonstrations and sporadic gun battles.

Spokesmen for the Defence Ministry *and the Popular Front said yesterday* troops had been withdrawn to the capital from Lachin, situated between Nagorno-Karabakh and a finger of Armenian territory which pokes into Azerbaijan, reducing the strip of land between Armenia and Nagorno-Karabakh to a few kilometres.

Mr Azad Ali-Zade, the Defence Ministry spokesman, said yesterday that Armenian forces were attacking Lachin from both Armenia to its south-west and Nagorno-Karabakh to its east. He denied an Itar-Tass report that an Azeri tank column from Lachin attempted to retake the town of Shusha within Nagorno-Karabakh, the last Azeri-held stronghold in the enclave, whose loss last week sparked off the attempt to reinstate Mr Mutalibov.

*Mr Mutalibov first lost his presiden*tial seat in March, following Azeri reverses in and around Nagorno-Karabakh. Acting presidential power has passed to Mr Yagub Mamedov, leader of the parliament, but he wishes to resign because of ill-health. Mr Mutalibov's whereabouts are unknown.

A number of senior members of the Popular Front have been appointed to cabinet posts or as first deputies to cabinet ministers – with the Front dictating the appointments formally sanctioned by decrees of Mr Mamedov, whose resignation has been rejected.

The move by Armenia comes after it signed an agreement on collective security with five other members of the Commonwealth of Independent States at a summit in Tashkent on Friday.

Azerbaijan, with Belarus, Moldova, Tajikistan and Ukraine, did not sign – a division in the states which could indicate a further deepening of distrust among them, and possibly an attempt on Azerbaijan's side to appeal to one or more of the non-members of the collective security agreement for aid.

Advice for Nato's former enemies

By David White, Defence Correspondent

NATO'S FORMER adversaries will receive advice in meetings in London and Brussels this week on how to run western-style defence ministries and convert their bloated defence industries to civilian use.

Senior defence officials, military officers and parliamentarians from the former Warsaw Pact are attending a seminar in London today and tomorrow on managing defence in a democratic system.

The meeting could lead to secondment of UK staff to eastern European capitals.

It has been organised by the UK Foreign Office, Ministry of Defence and Royal United Services Institute as part of a co-operation process launched by Nato late last year. Talks will focus on issues of budgetary and parliamentary control and will include discussions on the handling of last year's Gulf campaign and on Northern Ireland – an area where the relationship between civil and military powers is, to say the least, problematic.

A further three-day seminar is set for Nato headquarters in Brussels on Wednesday to discuss defence conversion.

Government intervention likely in Bombay SE

By David Housego and R C Murthy in Bombay

THE BOMBAY stock market, which has been rocked over the last three weeks by India's worst financial scandal, is to reopen today with expected heavy government intervention aimed at warding off a further crash in prices.

The market will open to an official announcement that Mr Harshad Mehta, the Bombay broker implicated in the scandal, and his family, still have unpaid commitments for share purchases over the last month of between Rs650m-700m (£13m-£14m). Mr Mehta, his wife and brother were suspended from membership of the Stock Exchange on Friday after the Central Bureau of Investigation (CBI) froze his assets and seized share certificates.

The CBI will meet at the same time with the Stock Exchange authorities to see whether share certificates in his possession can be released to fulfil sales he made during the last two accounting periods.

The reopening today of Bombay and India's other main exchanges comes after a weekend of nervousness at the *immediate future of the mar*ket. It is feared that both the police and tax inquiries into the affairs of Mr Mehta - the driving force of this year's bull market - could lead into further unknown minefields.

In a market with limited liquidity, the state-owned financial institutions are expected to intervene strongly to hold up prices and to protect the small investor - many of whom began purchasing late in the bull run.

Mr M R Mayya, the Bombay Stock Exchange executive director, said yesterday: "We are trying to stabilise the market. We are finding ways and means to do it."

Dr Manmohan Singh, the Finance Minister, gave a similar message to investors at a meeting he held with bank chairmen to discuss financial sector reform. He said there *was no need for panic or* despondency. But reaffirming the government's commitment to prosecute those involved in fraud, he said that those found guilty would not be spared.

It emerged over the weekend that the Reserve Bank of India (the central bank) is to call in the IMF to help computerise its supervision of security trading. The Reserve Bank's ledger of inter-bank trading in government securities had fallen one month behind in April because each entry is made by hand.

Afghanistan factions fail to resolve differences

AFGHAN Defence Minister Ahmad Shah Masood met hardline guerrilla chief Gulbuddin Hekmatyar but the two rivals failed to resolve their differences, Tehran Radio said yesterday, Reuter reports from Nicosia.

The radio, quoting an Afghan Defence Ministry source, said the two met outside the Afghan capital Kabul on Saturday.

"During the meeting Hekmatyar once again insisted on his demands, saying that General Abdul Rashid Dostum's forces should leave Kabul. Masood, however, opposed his demands," the radio said.

Gen Dostum's Uzbek forces defected from the former government of President Najibullah and were crucial to Mr Masood's capture of Kabul and his eviction of Hekmatyar's men from the city later.

The Defence Ministry source said Mr Hekmatyar and Mr Masood would meet again on Sunday for a second round of talks.

Guerrillas loyal to Mr Masood drove Mr Hekmatyar's forces out of Kabul in a battle for control of the capital earlier this month. Mr Hekmatyar's forces later shelled Kabul but the capital has enjoyed relative calm since the start of a ceasefire 11 days ago.

Reliance raises $100m in Euromarkets

By David Housego in Bombay

RELIANCE, the petrochemical group controlled by the Ambani family, has become the first Indian private sector corporation to raise equity capital on the Euromarkets.

The group confirmed yesterday *that it had launched its* $100m (£56m) issue to help finance a gas cracker three weeks ago and that the offer would close at the end of this week.

Bankers involved in the issue claimed that $400m had so far been subscribed.

The disclosure caused surprise because last week – with the share price under pressure *in Bombay in the wake of the* nation's worst financial scandal – the group had said that it was planning to launch its issue towards the end of June.

The authorised issue is in a range equivalent to Rs250-280 (£4.90-£5.50) a share - based on an anticipated price-earnings ratio in March 1993.

On the Bombay stock market, Reliance's price recovered to Rs296 on Thursday after dropping to Rs270 on May 12.

Ecuador's centre-right ahead in poll

By Stephen Fidler in Quito

ECUADOREANS went to the *polls yesterday to vote in presi*dential, congressional and local elections amid expectations of a near rout of the left-of-centre *parties dominating* the current government.

Publication of opinion polls has been banned for 30 days *ahead of election,* but private polls suggest two centre-right candidates lead the field of 12 in the first round of the presidential race. They also suggest that parties to the right of centre could dominate Congress.

The two presidential frontrunners are *Mr Sixto Durán,* 72, of the newly-formed Republican Unity Party and Mr Jaime Nebot, 45, of the Social *Christan* Party. Of the two, Mr Durán was expected to garner more votes in the first round although not the 50 per cent necessary to avoid a second-round run-off of the top two candidates.

> Both leading candidates support a reduced state role and privatisation in a country which is one of the few in South America not to have embraced market-oriented economic reforms

The second round is scheduled for July 5, and the new president starts his four-year term on August 10.

Both candidates have emphasised as necessary a reduction in the role of the state, and support policies such as privatisation. Ecuador is one of the few countries in South America not to have embraced market-oriented economic reforms.

The only candidate that could conceivably threaten the domination of the centre right is the populist, Mr Abdalá Bucaram, who opinion polls suggest has between 10 and 20 per cent of the vote. Mr Bucaram led the field in the first round of the 1988 election.

Mr Raúl Baca, the candidate of the Democratic Left Party of current president Mr Rodrigo Borja, was not expected to obtain more than 10 per cent of the vote.

Voting is traditionally made along regional lines, with Mr Nebot's support concentrated in the coastal regions. Mr Durán, a steadier but less charismatic figure than Mr Nebot who has already run unsuccessfully twice for president, is from the highlands but claims links to the coast.

Voting is compulsory except among the 7 per cent of the population deemed illiterate. The electorate is 5.7m, double that when the Ecuador returned to democracy from military rule in 1978.

The electoral process is regarded as relatively free of fraud, with ballots being counted under an Italian-financed computer system.

The election campaign has been relatively peaceful, aided by a law which bans the sale and consumption of alcohol for 72 hours around election day.

Kurdish leaders put on brave face as poll delayed

By Gareth Smyth in Salahuddin, northern Iraq

KURDISH leaders last night moved to maintain the credibility of elections organised by Kurdistan Front guerrillas in northern Iraq, after postponing for two days the poll scheduled for yesterday.

In an eve-of-poll twist, indelible ink supplied from Germany to mark hands and prevent anyone carrying out their democratic rights more than once was found to be washable. But Mr Massoud Barzani, leader of the KDP (Kurdistan Democratic party), one of two key parties contesting the election, said last night at a press conference in the mountains that "our people at Salahuddin University" had managed to manufacture a substitute and that the election would take place tomorrow.

Leaders had earlier played down the postponement as a "technical hitch" while admitting there was a sense of anticlimax among a population keen to vote after years of war and violent repression by Iraq's President Saddam Hussein.

Late on Saturday evening Kurdish-controlled television stations broadcast news of the delay and yesterday guerrillas toured the countryside with loudspeakers.

But at 8am yesterday, the time scheduled for opening booths, the isolated and troubled residents of Halachan, a village razed by Mr Saddam's soldiers in 1988, emerged from their tents still expecting to vote.

At Hajiyawa, scene of heavy fighting during the Iran-Iraq war, Kurds hungry for news anxiously discussed developments by a fleet of empty Land Rovers collected to ferry voters from villages. An armed guerrilla said: "The people don't like to postpone. They think it's not right."

The Kurdish leadership is anxious to gain international recognition for the elections. Mr Hoshyar Zebari, a leading KDP member, said on Friday he was disappointed that no US or British politicians were attending the poll, but he was relieved that other international monitors would be remaining.

A US State Department spokesman in Washington had said that the US welcomed "public and private assurances by the Iraqi Kurdish leadership that these elections will deal only with local administrative issues and do not represent a move towards separatism".

But Turkey and Iran, neighbouring states with large Kurdish populations, have both condemned the elections as being outside Iraqi law. Ankara has announced that, on Friday, 27 Turkish soldiers and 36 Kurdish separatist guerrillas of the Kurdish Workers party were killed in clashes near the Iraqi border.

All levels of Kurdish society appreciate the international dimensions of the elections.

The dream of full independence is evident among ordinary people, but with 100,000 Iraqi government troops on a 320-mile frontier with Kurdish-controlled areas, the most widespread hope voiced in the streets, bazaars and tea shops is that the Kurds be allowed to live in peace.

S Korean challenger drops out

By John Burton in Seoul

MR Kim Young Sam yesterday appeared assured of winning the presidential nomination of South Korea's ruling Democratic Liberal party (DLP) after his only challenger within the party dropped out of the race.

Mr Lee Jong-Chan, an MP from Seoul, said he was withdrawing from the nomination race prior to the DLP convention because of pressure being exerted on delegates by senior party officials to support Mr Kim.

The charges by Mr Lee are likely to damage the image of the DLP, which had promised that this year's convention would be the first to allow delegates to choose the presidential nominee freely.

Mr Kim Dae-Jung, of the main opposition Democratic party, and Mr Chung Ju-yung, founder of the Korean business group Hyundai and head of the Unification National party, are Mr Kim's likely opponents in the presidential election.

Pakistan plans environment initiative ahead of summit

By Farhan Bokhari in Islamabad

THE Pakistani government is about to launch its national conservation strategy as preparations continue for a high-level delegation, led by Prime Minister Nawaz Sharif, to attend next month's Earth Summit in Rio de Janeiro.

The conservation plan, which coincides with increasing concern among foreign aid donors over environmental damage in Pakistan, involves projects in 14 areas.

"In a country where the environment has been severely damaged because of deforestation, pollution and a large population, we have to tackle our problems," a senior government official said.

Mr Anwar Saifullah Khan, the environment minister, said at the weekend that the environmental plan would need Rs150bn (£3.35bn) over the next 10 years.

The government expects to provide up to Rs90bn from its own budget while hoping to raise the remainder through foreign assistance and projects involving the private sector.

"We will come up with new laws which will take care of all aspects of the environment within the next six months to a year," the minister said.

Such laws might tighten regulations on industrial pollution and waste disposal, officials added.

Despite the plans, western development experts believe that Pakistan continues to be bogged down with a population of 112m, growing at more than 3 per cent a year. There are also fears that corruption in the forestry sector may limit moves to curb deforestation.

Nawaz Sharif: to lead Pakistani delegation to Earth Summit in Rio

Newcomers take key posts in Lebanese cabinet

By Lara Marlowe in Beirut

MR Rashid Solh, the new Lebanese premier, announced his cabinet at the weekend, 10 days after the previous government resigned because of economic unrest.

Although two-thirds of the ministers in the 24-member, half-Christian, half-Moslem cabinet served in the previous government, the key posts of economy and finance were given to newcomers.

Mr Samir Makdisi, minister for economy and commerce, holds a doctorate in economics from Columbia University and worked for the International Monetary Fund for 10 years before returning to a professorship at the American University of Beirut in 1972.

Mr Assad Diab was named minister of finance despite attempts by Mr Nabih Berri, the Shia Moslem militia leader, to secure the post for himself. Mr Diab, an examining magistrate, has little financial experience but his appointment was greeted with relief by Lebanese who admire his record for fairness.

The leader of the Phalangist militia, Dr Samir Geagea, was named a minister without portfolio but resigned hours later, saying the government was "basically the same as the outgoing one". Although Dr Geagea expressed pessimism about the ability of the new government to reverse Lebanon's economic crisis, he praised the appointments of Mr Makdisi and Mr Diab.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

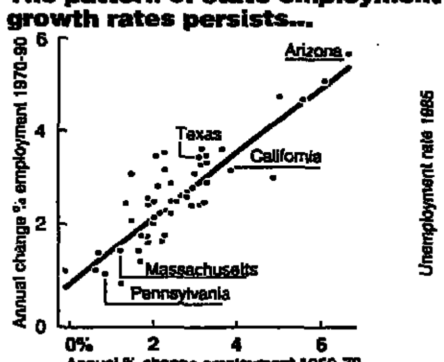
	UNITED STATES					JAPAN				
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−160.5	0.7623	100.0	230.8	76.0	64.5	180.50	100.0
1986	230.9	−140.6	−147.8	0.9836	80.2	211.1	96.2	86.9	165.11	124.4
1987	220.2	−131.8	−138.8	1.1541	70.3	197.3	86.1	75.5	166.58	133.2
1988	272.5	−100.2	−106.7	1.1833	66.0	219.8	80.7	66.6	151.51	147.3
1989	330.2	−99.3	−96.5	1.1017	69.4	245.3	70.6	52.4	151.87	141.9
1990	308.8	−79.8	−72.3	1.2745	65.1	219.9	49.6	28.1	163.94	126.0
1991	341.0	−53.2	−6.9	1.2391	64.5	247.5	83.3	62.8	166.44	137.0
2nd qtr.1991	89.4	−11.0	2.4	1.1844	66.4	61.0	19.5	15.9	163.77	135.9
3rd qtr.1991	89.5	−16.5	−9.9	1.1732	66.5	65.5	23.4	16.5	159.94	138.5
4th qtr.1991	87.6	−13.1	−8.2	1.2548	63.3	63.2	23.5	17.5	162.38	141.2
1st qtr.1992				1.2623	63.5	64.9	25.9	22.6	162.21	142.2
April 1991	29.5	−3.7	n.a.	1.2088	65.6	18.7	6.6	6.4	165.75	135.7
May	29.6	−4.0	n.a.	1.1915	66.0	20.9	5.9	4.9	164.68	135.4
June	30.3	−3.3	n.a.	1.1530	67.6	21.5	7.1	4.5	160.88	136.6
July	30.6	−5.2	n.a.	1.1509	67.6	21.4	7.1	4.1	158.54	136.8
August	29.2	−5.5	n.a.	1.1758	66.6	21.7	8.2	6.0	160.87	138.2
September	29.6	−5.8	n.a.	1.1929	65.3	22.3	8.1	6.3	160.42	138.7
October	30.7	−5.2	n.a.	1.2082	64.6	22.0	8.0	5.3	157.77	142.4
November	29.4	−3.3	n.a.	1.2568	63.2	21.0	7.2	5.8	162.99	140.9
December	27.6	−4.6	n.a.	1.2993	62.0	20.3	8.3	6.4	166.37	140.2
January 1992	27.4	−4.6	n.a.	1.2926	61.9	21.4	7.9	5.6	161.84	143.8
February	29.9	−2.7	n.a.	1.2634	63.4	21.6	9.3	7.6	161.18	143.3
March			n.a.	1.2309	65.1	21.9	8.7	9.5	163.61	139.6

	GERMANY					FRANCE				
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.8*	*33.3*	*21.7*	*2.2260*	*100.0*	133.4	−4.5	−0.2	6.7942	100.0
1986	*248.6*	*53.5*	*40.3*	*2.1279*	*108.8*	127.1	−0.1	3.0	6.7946	102.8
1987	*254.3*	*56.7*	*39.8*	*2.0710*	*115.3*	128.3	−4.5	−3.7	6.9265	103.0
1988	*272.6*	*61.6*	*42.9*	*2.0739*	*114.6*	141.8	−4.6	−3.4	7.0354	100.8
1989	*310.2*	*65.2*	*52.2*	*2.0681*	*113.5*	162.9	−6.4	−3.6	7.0169	99.8
1990	324.6	51.7	37.0	2.0537	119.1	170.1	−7.2	−7.4	6.9202	104.8
1991	327.3	11.0	−16.1	2.0480	117.7	175.3	−4.3	−4.6	6.9643	102.7
2nd qtr.1991	78.5	−0.2	−4.9	2.0545	116.2	43.3	−1.3	−1.4	6.9588	102.0
3rd qtr.1991	83.5	2.4	−5.0	2.0430	116.5	44.9	−1.3	−0.8	6.9441	101.8
4th qtr.1991	84.0	5.8	−1.6	2.0382	118.5	44.9	0.3	0.6	6.9598	102.8
1st qtr.1992			−4.3	2.0422	118.8	45.3	0.8		6.9492	103.4
April 1991	25.2	0.6	−0.7	2.0600	116.4	14.6	−0.32	−0.67	6.9598	102.4
May	27.2	−0.7	−2.3	2.0502	116.3	14.3	−0.36	−0.26	6.9510	102.0
June	26.0	−0.1	−2.0	2.0532	115.8	14.3	−0.60	−0.43	6.9657	101.5
July	27.5	0.0	−2.7	2.0524	115.8	15.1	−0.53	−0.65	6.9671	101.4
August	28.9	2.1	−1.6	2.0514	116.5	14.7	−0.39	0.34	6.9717	101.8
September	27.2	0.2	−0.6	2.0253	117.1	15.1	−0.36	−0.48	6.8935	102.2
October	27.3	1.5	−1.5	2.0417	117.1	15.5	0.67	1.23	6.9609	101.9
November	29.0	1.9	0.9	2.0406	118.6	15.0	−0.02	0.18	6.9735	102.8
December	27.8	2.4	−1.3	2.0325	119.9	14.3	−0.39	−0.81	6.9451	103.7
January 1992	26.9	−0.4	−3.2	2.0365	119.3	14.9	0.51	0.32	6.9476	103.6
February	27.7	1.1	−0.9	2.0443	118.6	14.9	0.06	−0.13	6.9572	103.3
March			−0.1	2.0456	118.4	15.4	0.20		6.9429	103.4

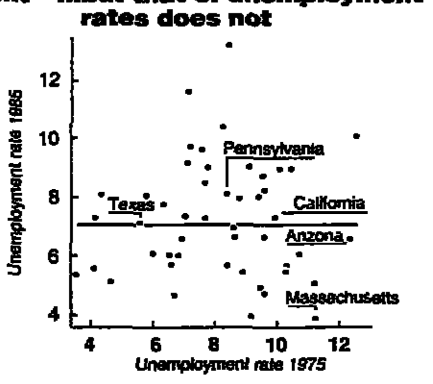
	ITALY					UNITED KINGDOM				
	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	−16.0	−5.4	1443.0	100.0	132.4	−5.7	4.7	0.5890	100.0
1986	99.4	−2.5	−1.4	1461.6	101.4	108.3	−14.2	−0.0	0.6708	91.6
1987	100.7	−7.5	−2.1	1494.3	101.2	112.3	−16.4	−5.9	0.7047	90.1
1988	106.3	−8.9	−8.0	1536.8	97.8	120.9	−32.5	−23.4	0.6643	95.5
1989	127.8	−11.3	−14.4	1509.2	98.6	137.3	−36.6	−30.3	0.6728	92.6
1990	133.6	−9.3	−19.4	1523.2	100.6	142.7	−26.0	−21.2	0.7150	91.3
1991	137.0	−12.9	−28.0	1531.3	98.9	148.1	−14.4	−6.9	0.7002	91.7
2nd qtr.1991	35.5	−3.4	−6.9	1524.6	98.6	37.4	−3.2	−0.3	0.6939	91.4
3rd qtr.1991	31.9	−1.7	−5.5	1525.4	98.1	38.0	−3.4	−1.8	0.6959	90.7
4th qtr.1991	37.3	−3.7	−8.3	1533.8	98.8	37.2	−3.6	−0.9	0.7069	90.9
1st qtr.1992	34.3	−5.1	−7.6	1535.7	99.0	36.8	−4.3	−3.0	0.7125	90.6
April 1991	11.4	−1.5	−2.6	1525.9	98.9	12.2	−1.3	−0.31	0.6915	92.3
May	11.3	−2.1	−2.1	1521.5	98.7	12.3	−1.4	−0.41	0.6919	91.7
June	12.7	0.3	−2.1	1526.5	98.2	12.9	−0.6	0.39	0.6984	90.2
July	13.2	0.1	−2.2	1529.2	97.9	12.7	−0.9	−0.37	0.6964	90.3
August	7.5	0.2	−0.4	1533.0	98.0	13.0	−1.2	−0.66	0.6967	90.7
September	11.1	−2.0	−2.8	1513.9	98.5	12.4	−1.3	−0.75	0.6924	91.0
October	13.1	−0.9	−2.5	1526.5	98.5	12.3	−1.3	−0.36	0.7014	90.5
November	11.1	−1.6	−2.5	1537.6	98.7	12.3	−1.3	−0.45	0.7076	91.0
December	13.1	−1.2	−3.3	1537.4	99.1	12.6	−1.0	−0.10	0.7116	91.2
January 1992	10.7	−2.0	−3.2	1534.9	99.1	11.6	−1.6	−1.20	0.7131	90.8
February	11.4	−1.4	−2.2	1535.6	99.0	12.6	−1.4	−0.10	0.7105	90.9
March	12.1	−1.6	−2.1	1536.7	98.8	12.5	−1.2	−0.80	0.7141	90.1

All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

The pattern of state employment growth rates persists...

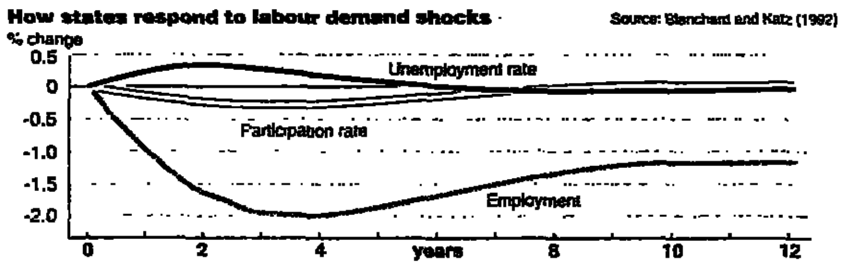


...but that of unemployment rates does not



How states respond to labour demand shocks

Source: Blanchard and Katz (1992)



Wages and migration in America: a lesson for Europe

IT WILL take more than the abolition of national border controls to raise international labour mobility within the European Community. The combination of distinct national cultures, histories and languages is likely to mean that the current low levels of cross-country migration within Europe, relative to that between US states, will persist for some years after 1992.

But not, perhaps, for ever. The US evidence suggests that a single market for European goods and services, combined with a single currency, may lead to persistently high national unemployment differentials unless workers are prepared to move between regions; and empirically, in the absence of border controls, unemployment is the main reason for migration.

The fabled mobility of Americans explains why the US has not been plagued by persistent high regional unemployment differentials. The current high unemployment regions in Britain, Germany or Italy also had the highest jobless rates a decade ago; but the US does not have a regional unemployment problem.

Yet the US does have persistently fast and slow growing states, as the upper charts show. Those states which had the slowest employment growth rates in the 1950s and 1960s – New England, the mid-Atlantic and the rust belt states of the mid-west – also tended to have the slowest employment growth over the past two decades. The fastest growing states over the past 40 years have been those blessed with sun, oil or both.

Swings in the fortunes of particular industries and commodities, combined with a high degree of regional industrial specialisation, also mean that individual states regularly diverge from their long-run growth paths. Slow growing Massachusetts had one of the fastest growing employment rates in the first half of the 1980s as its high-technology industries benefited from the rise in defence procurement. Fast-growing Texas was hit by the fall in oil prices in the mid-1980s: employment in Texas fell, unemployment rose and relative wages declined.

Yet state unemployment rates quickly returned to their long-run average levels, even though the shocks to employment are not fully reversed. Mr Olivier Blanchard and Mr Lawrence Katz of MIT and Harvard University find that negative employment shocks lead to a rise in unemployment and a small decline in labour force participation. But this effect disappears after five to seven years.

It is out-migration of unemployed workers, rather than in-migration of companies attracted by low wages, that explains how US states adjust to regional shocks. Mr Blanchard and Mr Katz, in a forthcoming Brookings Institute paper, estimate the average response across all 51 states to an employment shock. They find that a fall in state employment of 1 per cent in the first year is reflected in a rise in the unemployment of 0.32 per cent and a fall in participation of 0.17 per cent: of the 100 workers who lose their job, 30 stay unemployed, five drop out of the labour force and 65 leave the state. But this migration eventually erases the effect on unemployment and participation rates. Falling relative wages do attract some new jobs into the state, but the effect is weak and the fall in employment is never fully reversed.

Europe can expect to suffer similar swings in national regional fortunes. The single market programme is likely to encourage a similar pattern of regional industrial specialisation within Europe; and monetary union will prevent national governments from using exchange rates to offset demand or supply shocks which adversely affect national industries.

How will Europe cope with these demand shocks? Probably not very well. The US evidence suggests that European workers will have to be more prepared to travel, accept greater swings in their relative wages than occurs between US states, or, alternatively, suffer persistently high unemployment. That there is both more migration and wage flexibility between US states than between British regions does not bode well for the future.

Edward Balls

CONTRACTS & TENDERS

Retailers report best sales for two years

By Emma Tucker, Economics Staff

BRITAIN'S hard-pressed retailers saw the highest sales for two years in April but a strong recovery is still a long way off, the Confederation of British Industry said yesterday.

According to the CBI's latest quarterly survey of the distributive trades, retail sales volumes last month were above the levels of a year ago. After a poor performance in March they resumed the upward trend in sales growth seen since the middle of last year.

Mr Nigel Whittaker, chairman of the CBI's distributive trades panel, said: "These are the best results we have seen for two years but there is a long way to go before any trader would describe today's conditions as a high-street boom."

The survey, which covers more than 15,000 retail outlets, showed considerable differences within the industry. In spite of the improvement on a year ago, retailers said sales remained poor for the time of year while wholesalers described them as average.

Fortunes were very mixed in the retail sector, Mr Whittaker said. "For every retailer reporting good sales, two say they are still poor for the time of year."

● Ikea, the Swedish furniture chain, has shown it is possible for aggressive retailers to increase sales during one of the toughest recessions by achieving sales per square foot 2.7 times the industry average, according to Verdict, the retail research group.

In a survey published today, Verdict reports that Ikea's three stores made pre-tax profits of £1.4m on sales of £91.4m in 1991 and the company is expected to break through the £100m turnover barrier this year with another two stores opening shortly.

Major aims to limit Tory rebellion on Europe

By Philip Stephens, Political Editor

MR JOHN Major, the prime minister, will this week try to limit the scale of a rebellion by Conservative MPs against the Maastricht Treaty by signalling strong opposition to any moves to enhance the authority of the European Commission.

As leaders of the rebel MPs claimed up to 30 on the government side would vote against legislation to implement the Maastricht accord, ministers said Mr Major will emphasise his opposition to federalism in the EC. The rebels acknowledge that although the government has an overall majority of only 21, there is no prospect of blocking the legislation. In spite of the threat of a rebellion by up to 60 of its own MPs, the Labour leadership has decided to abstain on the substantive vote.

But the Euro-sceptics are promising a series of "wrecking amendments" – possibly including a call for a referendum – designed to attract opposition support when the bill is debated again clause by clause next month.

The prime minister, who takes over the EC presidency in July, will stress instead the priority attached to completing the single market and speeding up negotiations to widen the membership of the Community.

The Conservative rebels, buoyed by Mrs Margaret Thatcher's scathing attack last week on the federalist ambitions of the Commission, will argue that the Maastricht deal represents a move to a United States of Europe.

They also claim that proposals by Mr Jacques Delors, the Commission president, to overhaul EC's institutions have undercut Mr Major's assertion that his negotiating stance allowed Britain to sidestep pressure for federalism.

Sir Leon Brittan, the senior British member of the Commission, sought to counter that argument by insisting yesterday that a suggestion that the Commission be given greater executive authority had won little if any support across the Community.

Mr Major will insist at the start of the two-day Maastricht debate on Wednesday that Britain has achieved its ambition of remaining at the heart of Europe while resisting the centralising instincts of its partners. He will pledge to take a tough line in negotiations over an expansion of the Community's resources, threatening to veto any deal which did not protect Britain's rebate.

Ford cuts trade deficit by £1.08bn

By Kevin Done, Motor Industry Correspondent

Motor trade: Jim Evertt, manager in charge of outgoing cars, checks vehicles at the company's Dagenham plant

FORD, the biggest motor vehicle maker in Britain, cut its UK balance of trade deficit last year to £214m from a deficit of £1.297bn in 1990.

Ford has hitherto refused to reveal details of its UK trade balance since it moved into heavy deficits in the 1980s. It is understood, however, that the deficit ran close to £1.4bn a year in 1988 and 1989.

The sharp improvement last year, which was due to a big fall in imports and a strong rise in exports, has continued in the early months of 1992.

Ford of Britain now believes its foreign trade deficit was virtually eliminated in the first quarter.

The US car maker's UK balance of trade – the difference in the value of its exports and imports of vehicles, components and accessories – is an important factor in the UK motor industry's foreign trade performance.

Ford dominates the UK new vehicle market accounting for 25 per cent of UK new car sales and close to 45 per cent of light commercial vehicle sales. It is also the biggest vehicle maker in the UK ahead of Rover and Vauxhall, the UK subsidiary of General Motors of the US.

Ford of Britain first moved into deficit in 1981 having previously been a significant positive contributor to the UK trade balance.

As its deficit reached £676m in 1983 and £501m in 1984, Ford stopped disclosing details of its trade balance in its annual report, and adopted the defensive policy of only revealing the value of its exports.

It is understood that the deficit totalled more than £1.0bn a year from 1986 to 1990 and peaked at £1.4bn in 1989.

The improvement last year was a key factor behind the sharp contraction in the overall UK motor industry trade deficit, which fell by 78.3 per cent to £1.0bn from £4.6bn in 1990 and a record deficit of £6.6bn in 1989.

Under the impact of the recession the value of Ford of Britain's imports dropped steeply by 26.6 per cent last year to only £2.48bn from £3.38bn in 1990. Its UK new car sales fell by 23.9 per cent to 385,944 from 507,260 a year earlier. The value of its exports rose to £2.27bn last year from £2.08bn in 1990.

The underlying improvement in exports was much greater, however, as the 1990 total included exports by Ford's UK tractor operations, which have since been sold to Fiat, the Italian automotive group.

Excluding the tractor business the value of Ford's UK exports of cars, commercial vehicles and components rose by around 40 per cent last year from £1.6bn in 1990. The rise was due most significantly to the build-up of foreign sales of its Fiesta small car from its Dagenham assembly plant, east of London, where exports accounted for more than 50 per cent of last year's output of 223,000.

Britain in brief

Lloyd's to consider plan to aid Names

Members of the Lloyd's Council will this week consider a scheme to help Names hardest hit by the insurance market's recent losses.

It is understood a council sub-committee will consider proposals from a Names group – the Lloyd's Names Associations Working Party which urges five areas of action.

The proposals include moves to introduce a system of capping so Names can lose no more than 30 per cent of their premium limit – the amount of premium a Name can accept; provide a loan facility allowing up to £1bn in credit for Names whose losses exceed 10 per cent of their premium limit; start a scheme to end all litigation in Lloyd's; create a system of external regulation; and modify the hardship arrangements – the relief provided to individual Names as an alternative to bankruptcy.

Deal sought on working hours

The UK government believes it can no longer delay an agreement on the EC's controversial working time directive – including the 48 hour ceiling on the working week.

Department of Employment officials believe a strategy of delay which might have allowed the UK to avoid complying with the directive, is no longer possible. Officials say they are seeking a more permissive approach to the 48 hour ceiling.

Mrs Gillian Shephard, the employment secretary, is now expected to seek hard a clause stating no worker can be obliged to work more than 48 hours but, equally, workers may work over the limit if they choose. But it is clear that a decision, with or without UK support, will now be taken at the next social affairs council on June 24.

Training gets low priority

A survey of more than 100 leading employers has cast doubt on the belief that employers are becoming more rigorous in their training activities and integrating training with normal business activities. The survey, by the Employee Development Bulletin, found only a quarter of employers set overall targets for training and only one fifth conduct training needs analyses of their workforce.

Investors lack executive vote

More than half of Britain's largest corporations included in a recent survey on corporate governance do not allow shareholders a say in the appointment of top executives.

The survey by Pensions Investment Research Consultants, which advises pension funds on investment issues, found that 27 of the UK's 52 largest companies have adopted provisions in the Articles of Incorporation which preclude all or some of their executive directors from ever seeking re-election by shareholders.

Changes urged in finance law

A change in the law is needed to clarify the duties of financial firms towards their customers, according to the head of the Law Society's company law committee.

Mr Bill Knight, a partner at City law firm Simmons & Simmons, called present law "a mess" and said clarification was necessary to ensure financial firms knew where they stood in dealings with their customers.

Three groups seek army radio contract

By David White, Defence Correspondent

THREE CONSORTIA have entered bids for a UK combat radio project expected to be worth between £1bn and £2bn.

The project, called Bowman, is to replace British forces' Clansman system about the turn of the century. Bidding for the contract, which will pit British, US and French VHF radio systems against each other, closes today.

Siemens Plessey Defence Systems, a UK subsidiary of the German Siemens group, yesterday submitted a joint bid with Racal Electronics for a new family of radios derived from Racal's successful Jaguar system. Racal won a £70m Canadian contract for enhanced radios for Jaguar aircraft last October.

The two companies produced most of the communications equipment for Clansman, which has been in service since the late 1970s.

GEC-Marconi, defence arm of the General Electric Company, is competing jointly with Thomson-CSF of France, offering the new "fourth generation" PR4G tactical radios that Thomson is producing for the French army.

Thomson recently won a Dutch order in competition against the US Sincgars, made by ITT. Meanwhile, ITT is entering its Sincgars for the UK competition, acting as prime contractor in a consortium with British Aerospace. Harris of the US is participating as a sub-contractor.

SEL of Germany, part of the French Alcatel group, was also invited to tender for the contract last October.

Two of the contenders are expected to be selected next year for a demonstration phase, with a production contract for the winner of the run-off awarded probably in 1996.

Production is expected to involve up to 60,000 radio sets, with some items due in service before the end of the decade. The project is aimed at providing much greater capacity for secure transmission of data at the same time as voice communications, and will include ultra-high frequency ground-to-air radios.

● Senior defence policy-makers from the former Warsaw Pact countries are meeting in London today for a seminar on managing defence requirements in a democracy.

The seminar, organised by the Foreign Office and chaired by Sir Michael Alexander, the UK's retiring Nato ambassador, follows agreement by Nato members to assist the former Eastern Bloc as they adjust to democratic control.

ECONOMICS

Recovery hopes turn to UK sales ahead of release of April figures

THE widespread anecdotal evidence that British shoppers flocked to the high streets in a post-election spending spree should be backed up this week by official retail sales figures which are expected to show a rise.

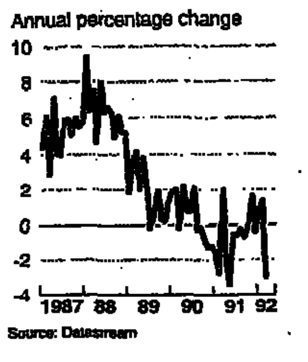
Several other indicators of the real economy are also due next week in the UK, including two CBI surveys which should be mildly encouraging, and industrial production figures.

Other highlights of the week ahead, with the median of forecasts in brackets from MMS International, a financial information company include:

Today: France, OECD annual ministerial meeting – continues until May 19; Belgium, EC finance ministers meeting – continues until May 19: UK, CBI publishes distributive trades survey: Germany, IG Metall board meets to decide whether to hold a strike ballot; Japan, April trade balance ($7bn), April wholesale prices index (flat on month, down 1.1 per cent on year); Australia, March export price index.

Tomorrow: US, federal open markets committee meeting, presidential primaries in Oregon and Washington, April housing starts (1.29m), April building permits; UK, Bank of England publishes quarterly bulletin, March manufacturing output (flat on month, down 1.8 per cent on year), March industrial production (down 0.7 per cent on month), March unit labour costs (up 4.3 per cent on year), April PSBR (£4bn); Japan, march machinery orders.

UK retail sales



Source: Datastream

Wednesday: UK, April retail sales (up 1 per cent on month, up 1.4 per cent on year); US, March *merchandise trade balance* (-$4.5bn), March merchandise exports ($37.1), March merchandise imports ($41.7); Japan, revised figures for March industrial production; *Canada, March* merchandise trade balance (C$0.85bn), March merchandise exports (up 0.1 per cent). March merchandise imports (up 0.3 per cent).

Thursday: US, April Treasury budget (up $21.5bn), initial claims for week ended May 9 (415,000), M1 (flat). M2 (up $2.5bn). *M3 (flat) for week ended* May 11; UK, April M0 (up 0.3 per cent on month, up 2.2 per cent on year), April M4 (up 0.2 per cent on month, up 5.1 per cent on year), April M4 lending (£1.9bn); Australia, first quarter capital expenditure, March manufacturing output prices; New Zealand, April trade balance, first quarter retail trade; Canada, April consumer prices index (non-seasonally adjusted, up 0.2 per cent on month, up 1.8 per cent on year, seasonally adjusted up 0.2 per *cent on year), March retail* sales (down 0.1 per cent on month); Austria, OPEC meeting.

Friday: UK, CBI industrial trends survey published, provi*sional first quarter GDP (down* 0.4 per cent on quarter, down 1.2 per cent on year); US, minutes of federal open markets committee meeting published; Japan, April *money supply (up 1.9 per cent on* year); Australia, March manufacturing input prices;

During the week: Germany (west), March retail sales (up 0.5 *per cent), March manufacturing* orders (down 0.3 per cent), April producer prices index (up 0.3 per cent on month, up 1.9 per cent on year), April M3 from quarter four base; Holland, April unemployment rate (4.5 per cent), March trade balance (NLG1.5bn); Sweden, April trade balance (SEK3.3bn); Denmark, April consumer prices index (up 0.3 per cent on month, up 2.6 per cent on year); Italy, March wholesale prices index (up 0.5 per cent on year), March producer prices index (Up 1.5 per cent on year), *March* industrial production (up 0.5 per cent on year).

Emma Tucker

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Clive (Thompson) Invs., The Stafford Hotel, St. James's Place, S.W., 12.00
French Property Tst., ESN Pension *Managment*, 110 Buckingham Palace Road, S.W., 12.00
Goal Petroleum, The Oriental Club, Stratford Place, W., 12.00
Henderson Highland Tst., 3 Finsbury Avenue, E.C., 12.15
Iceland Frozen Foods, Second Avenue, *Deeside Indl. Park*, Deeside, Clwyd, 10.00
Pendragon, The Midland Hotel, Midland Road, Derby, 10.45
Roskel, *The* Grand Hotel, Colmore Row, Birmingham, 12.00
Savoy Hotel, The Savoy Hotel, Strand, W.C., 12.00
BOARD MEETINGS:
Finals:
Berry, Birch & Noble
Govett American Endeavour
Jarvis Porter
Jermyn Inv.
London & Overseas Freighters
North American Gas Inv. Tst.
Prowting
Stratton Inv. Tst.
Whitbread
Interims:
F & C Eurotrust
Mining & Allied Supplies

■ TOMORROW
COMPANY MEETINGS:
APV, Grocers' Hall, Princes Street, E.C., 12.15
Arjo Wiggins Appleton, The Brewery, Chiswell Street, E.C., 12.00
Boxmore Intl., Malone House, Barnett Demesne, Malone Road, Belfast, 11.00
Brake Bros., Painters Hall, Little Trinity *Lane*, E.C., 11.30
Bredero Properties, The Institute of Directors, 116 Pall Mall, S.W., 10.00
Campari Intl., Intl. House, Priestley Way, Staples Corner, N.W., 12.00
Christies Intl., 8 King Street, St. James's, S.W., 12.00
Clayform Properties, 24 Bruton Street, W., 11.30
Densitron Intl., Armourers' Hall, 81 Coleman Street, E.C., 12.00
Meggitt, The Savoy Hotel, Strand, W.C., 12.00
Next, New Connaught Rooms, Great Queen Street, W.C., 10.45
Ocean, The Savoy Hotel, Strand W.C., 12.00
QS Hldgs., The Grand Hotel, Kings Road, Brighton, 12.00
Scottish Heritable Tst., The Royal York Hotel, Station Road, York, 2.00
Steel Burrill Jones, The City Conference Centre, 76 Mark Lane, E.C., 12.00
TT, Tallow Chandlers Hall, 4 Dow Gate Hill, E.C., 12.00
Trade Indemnity, Trade Indemnity House, 12-34 Great Eastern Street, E.C., 12.00
BOARD MEETINGS:
Finals:
Allied Lyons
British Airways
Corporate Services
Ralston Inv. Tst.
Readicut Intl.
Sedwick
Interims:
Archimedes Inv. Tst.
Capital Radio
Chrysalis
Countryside Properties
Kwalck
Leeds
Molyneux Estates
Tunstall
Young (H.)

■ WEDNESDAY MAY 20
COMPANY MEETINGS:
Baynes (Charles), The Coach House, 173 Sheen Lane, East Sheen, S.W., 11.30
Bemrose, The Midland Hotel, Midland Road, Derby, 3.15
Bostrom, Stone Circle Road, Round Spinney, Northampton, 12.00
Bowthorpe, The Howard Hotel, Temple Place, Strand, W.C., 12.00
Brent Chemicals Intl., Sheraton-Skyline Hotel, Bath Road, Hayes, Middlesex, 3.30
CSC Inv. Tst., The Great Eastern Hotel, Liverpool Street, E.C., 11.00
Croda Intl., Grange Park Hotel, Main Street, Willerby, Hull, North Humberside, 12.30
Intl. Business Communications, Cafe Royal, Regent Street, W., 12.00
Metalrax, The Plough & Harrow Hotel, Hagley Road, Edgbaston, Birmingham, 11.45
Monument Oil & Gas, The Institute of Actuaries, Staple Inn, Hall, Staple Inn, High Holborn, W.C., 11.00
P-E Intl., The Savoy Hotel, Strand, W.C., 12.00
Redland, The Plaisterers' Hall, 1 London Wall, E.C., 12.15
River & Mercantile *American* Cap. & Inc. Tst., New Connaught Rooms, Great Queen Street, W.C., 11.00
Sherwood Computer Services, 6 Broadstreet Place, Blomfield Street, E.C., 12.00
Slough Estates, The Savoy Hotel, Strand, W.C., 12.00
Sun Alliance, 1 Bartholomew Lane, E.C., 12.00
Swallowfield, The Mount Somerset, Lower Henlade, Taunton, Somerset, 12.00
Willis Corroon, *10 Trinity Square*, E.C., 12.00
BOARD MEETINGS:
Finals:
Argyll
Chamberlain & Hill
Courtaulds
Ferguson Intl.
Land Securities
Martin Currie European Inv. Tst.
Plysu
Quadrant
Interims:
Baggeridge Brick
Compass
Dunedin Worldwide Inv. Tst.
New Zealand Inv. Tst.
RHM
Yorkshire TV

■ THURSDAY MAY 21
COMPANY MEETINGS:
Abbeycrest, St. Pauls House, Park Square, Leeds, 2.00
Anglia TV, Studio E, Magdalen Street, Norwich, 12.00
Ash & Lacy, Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, 10.00
Astec (BSR), Painters' Hall, 9 Little Trinity Lane, E.C., 11.00
BTR, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 11.30
Barlows, Chester Grosvenor Hotel, Chester, 12.00
Bluebird Toys, Dragonparc, Abercanaid, Merthyr Tydfil, Mid Glamorgan, 12.15
Booker, The Barber-Surgeons' Hall, Monkwell Square, E.C., 3.30
Boosey & Hawkes, Holiday Inn, Swiss Cottage, 128 King Henrys' Road, N.W., 12.00
Bridon, The Armourers' & Braziers' Hall, 81 Coleman Street, E.C., 12.00
Bunzl, The Tower Thistle Hotel, St. Katherines Way, E., 12.00
Central Independent TV, Central House, Broad Street, Birmingham, 11.30
Commercial Inv. Tst., 11 Devonshire, Square, 12.00
Clayton, Son & Co., Moor End Works, Hunslet, Leeds, 2.00
Dolphin Packaging, Fleets Lane, Poole, Dorset, 12.00
Epwin, The Savoy Hotel, Strand, W.C., 12.00
Erith, Institute of Chartered Accountants Hall, Moorgate Place, 12.00
Folkes, Pedmore House Hotel, Ham Lane, Pedmore, Stourbridge, 12.00
Freeman, London Road, Stapleford, Cambridge, 12.00
Great Southern, Ironmongers' Hall, Shaftesbury Place, Barbican, E.C., 4.30
Hemingway Properties, Paribas (office of), 33 Wigmore Street, W., 11.00
Hunting, Institute of Directors, 116 Pall Mall, S.W., 10.30
Jerome (S.) & Sons, Victoria Works, Shipley, 11.00
Liberty, 25 Great Marlborough *Street, W.*, 12.00
Malaya, County Oak Way, Crawley, West Sussex, 11.00
Morrison (Wm.) Supermarkets, The Bankfield Hotel, Bradford Road, Bingley, West Yorkshire, 11.00
North Midland Construction, Nunn Close, *The County Estate*, Huthwaite, Sutton-in-Ashfield, Nottinghamshire, 12.00
Oriel, 41 Tower Hill, E.C., 10.00
Perkins Foods, The Howard Hotel, Temple Place, Strand, W.C., 12.00
Quarto, The Old Brewery, 6 Blundell Street, 11.30
Rotork, Rotork House, Brassmill Lane, Bath, 12.00
Suter, The Howard Hotel, Temple Place, Strand, W.C., 12.00
Thames TV, BAFTA, 195 Piccadilly, W., 3.00
Vinst Hldgs., Denmark House, The Broadway, N.W., 10.00
BOARD MEETINGS:
Finals:
Abtrust New European Inv. Tst.
Airflow Streamlines
Appleby Westward
British Telecom
Cook (Wm.)
F & C German Inv. Tst.
Gerrard & National
Jackson
New Throgmorton Tst.
Sketchley
Westbury
York Waterworks
Interims:
Albion
Dobson *Park Inds.*
Ferry Pickering
Warner Estate
Wheeoce

■ FRIDAY MAY 22
COMPANY MEETINGS:
Ashley (Laura), Carno Community Centre, Powys, 11.00
Boot (Henry), Baldwin's Omega, Brincliffe Hill, Sheffield, 12.00
Breedon, Breedon-on-the-Hill, Leicestershire, 10.00
Cookson, The Pewterers' Hall, Oat Lane, E.C., 12.00
Densongroup, Delaware Drive, Tongwell, Milton Keynes, 12.00
Laird, Brown's *Hotel, Dover Street*, W., 12.00
Laporte, The Butchers' Hall, 87 Bartholomew Close, E.C., 12.00
NMW, Stapeley House, London Road, Nantwich, Cheshire, 12.00
Paribas French Inv. Tst., 33 Wigmore Street, W., 10.30
RMC, Inn on the Park, Hamilton Place, Park Lane, W., 11.30
Relyon, Wellington, Somerset, 12.00
Senior Engineering, *Glaziers Hall*, 9 Montague Close, London Bridge, S.E., 12.30
Sphere Inv. Tst., The City of London Club, 19 Old Broad Street, E.C., 12.00
Usborne, Daisy Hill, Burstwick, Hull, 12.30
Wilson (Connolly), Northampton Moat House, 12.00
Wolstenholme Rink, Last Drop Hotel, Bromley Cross, Bolton, 12.00
BOARD MEETINGS:
Finals:
Castings
Fitzwilton
Halls Homes & Gardens
Trinoco
Interims:
Ashley
Kelsey Inds.
Richards
Wolverhampton & Dudley

Company meetings are annual general meetings unless otherwise stated.

RESULTS DUE

WHITBREAD will open a round of brewers' results today by reporting its first fall in earnings for 16 years. The impact of the recession, culminating in a £37m provision for bad and doubtful debts, is expected to reduce full-year pre-tax profits by more than 20 per cent to between £225m and £230m.

Market forecasts for Allied-Lyons tomorrow suggest pre-tax profits in the new management's inaugural year of about £635m – marginally ahead, excluding last year's £147m on foreign currency dealings. The results are likely to have less influence on sentiment than statements about the group's plans for the future and the benefits expected from restructuring.

Interim results from Bass on Wednesday should show a 20 per cent rise to £263m on last year's weak first half. The country's leading brewer is continuing to benefit from cost savings from brewery closures, but pub sales to comply with the government *beer orders* will hit *retailing* profits.

At least £290m pre-tax for the year to March is expected from British Airways, which reports its finals tomorrow, against a *Gulf* crisis-affected £130m. Strong second and third quarters *lie behind the recovery. It is* hoped the upturn will be accompanied by some positive noises about future trading.

BOC, the chemicals group, is expected to report interim pre-tax profits of about £158m tomorrow. This compares with £144.7m last year, when the figure was depressed by some above-the-line charges. Analysts will be looking for signs of improvement in the US and the scale of any downturn in Japan.

Courtaulds, also in the chemicals sector, reports full-year results on Wednesday. Pre-tax profits of about £200m are expected, compared with £186.3m. Attention will focus on the downturn in performance materials and the quality of business in fibres and films.

Commercial Union, the most successful of the UK's composite insurers, could show a slight fall in pre-tax losses to between £15m and £25m when it reports its first-quarter results on Wednesday. Like its rivals, Royal and General Accident, which both reported improved figures this week, CU will benefit from premium rate *increases in the UK.*

BT, the telecommunications group, is expected on Thursday to report pre-tax profits for the year to the end of March, marginally up on the previous year's £3.07bn. Profit growth has been held back by the recession, competition from Mercury Communications and a tighter price cap which came into force last September.

Storehouse, the retailing conglomerate which owns BhS, Habitat, Mothercare, Richard Shops and Blazer, will announce a mixed bag of trading fortunes when it reveals its annual results on Thursday. Although group profits are likely to be down from £21m to £13.5m, there should be progress on several fronts.

Argyll Group, which runs the Safeway chain of supermarkets, will demonstrate the continued resilience of food retailing as it looks likely on Wednesday to lift yearly pre-tax profits by about a quarter to £360m. This performance will continue a remarkable five-year period of growth since Argyll bought Safeway.

PARLIAMENTARY DIARY

■ TODAY
Commons: Questions to Transport ministers and to the Chancellor of the Duchy of Lancaster. British Coal and British Rail (Transfer Proposals) Bill, second reading.
Lords: Not sitting.
■ TOMORROW
Commons: Education questions. Spring adjournment debate. *Non-Domestic Rating* Bill, second reading. Customs Duties (ECSC) (Amendment) Order.
Lords: Prisoners and Criminal Proceedings (Scotland) Bill, second reading. *Mauritius Republic Bill*, second reading. Debate on UN Security Council.
■ WEDNESDAY
Commons: Scottish questions. European Communities (Amendment) Bill, second reading (first day).
Lords: Debate on UN Earth Summit in Brazil.
■ THURSDAY
Commons: Northern Ireland questions. European Communities (Amendment) Bill, end of second reading debate.
Lords: Community Care (Residential Accommodation) Bill, second reading.
■ FRIDAY
Commons: Backbench debates.
Lords: *Not sitting.*
No select committees sit this week.
The Lords rises for its late summer break on Thursday, returning on Monday, June 1. The Commons rises on Friday and returns on Tuesday, June 2.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Akzo Fl5
Do. Bearer Certs. Fl5
Aon $0.42
Bank of Scotland (Governor and Co. of) Und Fltg. Rate Cap. Nts. $268.58
Britannia Bldg. Soc Fltg. Rate Nts. 1995 £261.22
Brit-Borneo Petm. 4.433p
Doeflex 2.7p
EW FACT 3.1p
IMI 5.8p
Isle of Man Steam Pkt. 7p
JIB 5p
Kwik-Fit 2p
Midland Bank Sub. Fltg. Rate Nts. *2001 £130.22*
Minerals Oils And Res. Shares Fd. $0.18
More O'Ferrall 10p
National Westminster Bank Und. Var. Rate Nts £278.16
Sanwa Singapore Gtd. Fltg/Fixed *Rate Nts. 1996 $2767.82*
Scholl 3.5p
Shell Trans. & Trading 12p
Treasury 10pc 2004 5pc
Woolwich Bldg. Soc. Fltg. Rate Nts. £268.68
Yasuda Tst Asia Pacific Fltg/Fixed Rate Nts. 2000 $3071.25

■ TOMORROW
ASW 4.5p
Commercial Bank of London 35p
Exchequer 9pc 2002 4½pc
Graseby 7.6p
Henderson Highland 1.4p
Hornby 9p
Pitney Bowes 5½pc Ln 1979/94 2¾pc
Sumit 1.25p
Treasury 10½pc 1999 5¼pc

■ WEDNESDAY MAY 20
Argos 4.3p
Bankers Tst Intl. Gtd. Fltg. Rate Nts. 1998 $131.25
Caterpillar $0.15
Christies Intl. 1p
Dowding & Mills 0.92p
Exchequer 12pc 1998 6pc
Goal Petm. 1.25p
Inch Kenneth Kajang Rubber 5p
M.Y. Hldgs. 0.25p
Republic of Portugal 9pc Ln. 2016 £225
River & Merc. Amer. Cap. & Inc. Tst. 2.4p
Slough Ests. 6pc Bds. 2003 £6
Sun Life 42.4p
Tokyo Electric Power Fltg. Rate Nts. 1992 Y315786
Wells Fargo $0.50
Do. Fltg. Rate Nts. 1997 $131.25

■ THURSDAY MAY 21
Ben Bailey Construction 0.3p
Bowmore 4.8p
Brent Chems. 6.8p
Britannia Bldg. Soc. Fltg. Rate Nts. 1994 £1280.23
Canon 5.8pc Nts. 1996 Y157899
Do. 5.85pc Nts. 1997 Y159250
Christiania Bank Kreditkasse Fltg. Rate Nts. 1994 $530.83
Clayton Son 3p
Emess 0.35p
Telefonaktiebolaget LM Ericsson B SKr 3.5
Leeds Permanent Bldg. Soc. Fltg. *Rate Nts. 1997 £256.05*
Mallett 3p
Mitsui OSK Lines 6pc Bds. 1999 Y161667
North Midland Construction 0.5p
Pittencrieff 3.5p
Security Pacific Fltg. Rate Cap. Nts. 1997 $125
Stora Kopparbergs Bergslags B Skr 13
Treasury 12½pc 2003/05 6¼pc
Yule Catto 3.1p

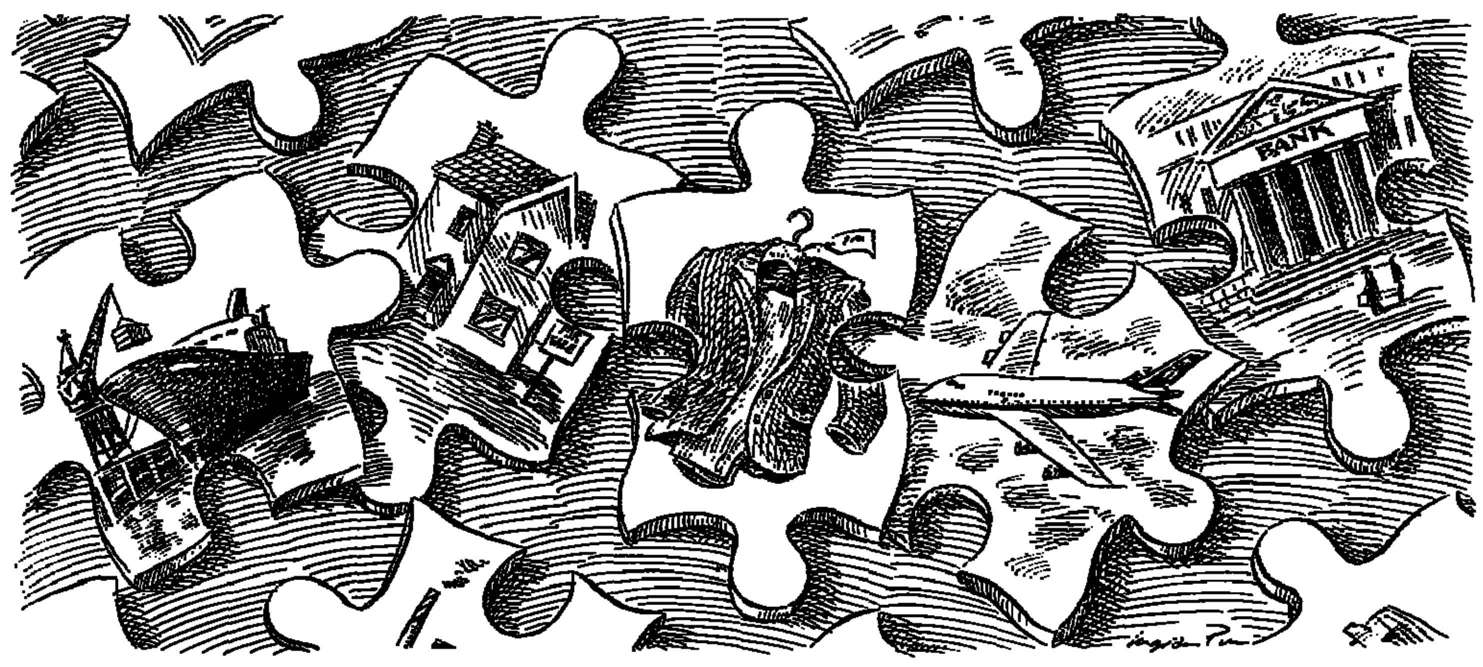
■ FRIDAY MAY 22
Abbeycrest 2p
Anglia TV 8.4p
Arcolectric 0.58p
Do. A 0.58p
Atlas Copco A SKr8
Do. B SKr8
Boot (Henry) 19.5p
Breedon 2.85p
Brooks Service 2.75p
Conversion 10¼pc 1999 5⅛pc
Derwent Valley 5.7p
Eaton $0.55
European Inv. Bank 10⅜pc Ln. £259.375
Greggs 9.375p
Home Counties Newspapers 5.5p
LASMO 6.2p
Magnetic Mins. 0.6p
Merchants Tst. 2.8p
Midland Bank 1.7p
Morrison (Wm) 1.5p
Murray Intl. Tst. 3.4p
Murray Ventures 3.4p
Page (Michael) 1.2p
Perkins Foods 2.6p
Pressac 0.75p
Royal Bank of Canada C$0.29
TSB Offshore Inv. Fd. *Blue Chip* & Gilt Edged 2.24p
Do. Gilt & Fixed Interest 2.24p
Do. Intl. Bond 2.49p
Do. Sterling Deposit 2.512p
Do. UK Equity 1.28p
UDO 1.94p
Unilever NV Fl4.08
Do. 13.81p
Treasury 2½pc I-L 1999 £2.0565
Treasury 14pc 1998/2001 7pc
Wassall 2p
Wolstenholme Rink 10p
Yorkshire Chems. 5pc Pf. 1.75p

■ SATURDAY MAY 23
Beauross 7.45p
Treasury 13¾pc Ln. 1993 6⅞pc

MANAGEMENT

Peter Marsh suggests some alternative statistical sources

How to figure out the end of recession



The 64,000 dollar question for most British companies is whether the country is finally emerging from recession.

The problem is how to go about finding an answer. The evidence is ambiguous and most published economic indicators are weeks, if not months, out of date. If you want to be a step ahead, you should consider alternative sources of information, some of which can be obtained on a weekly basis. Here are the indicators to watch.

Official data

The government's Central Statistical Office provides monthly data about such things as retail sales, exports and imports and consumer credit.

The information is normally reliable and reasonably accurate, but refers to economic events up to two months in the past.

Unofficial data

The weekly data from unofficial sources are less comprehensive and may not correct for seasonal distortions. But provided you treat the figures with caution, they *should give you useful clues.*

Treasury officials lean heavily on such data: every Friday, Norman Lamont, the chancellor, is given a report detailing what has happened in the economy over the past fortnight.

Retail sales

A group of 30 of Britain's largest stores – accounting for roughly half the total turnover of the retail sector – collaborate on a *computerised project which adds* up their revenues every week. Every Tuesday, the companies know the sales totals for the group as a whole in the previous week (the revenues for specific companies are not identified). The data in recent weeks show that there has been little economic uplift since the April 9 general election.

Over the next few weeks they should provide clues to trends in consumer spending, which accounts for two-thirds of the £600bn a year UK economy and will be a vital factor behind any recovery. The weekly data are not publicly released, but if you know someone in one of the stores involved, there is a good chance you can get the information.

Clothing and footwear

Six companies – House of Fraser, Marks and Spencer, Storehouse, Burton, Sears and John Lewis – organise a variant on the above for their particular sector. Though only a small part of retailing (a tenth of sales in the sector), weekly data represent a useful snapshot. The statistics are produced by Price Waterhouse, the accountants, and go routinely to the Treasury. Among the specific companies, John Lewis publishes its weekly *sales figures on a weekly basis* – a useful public service. M and S does not publish its figures but sends an index of its sales every month to the Treasury.

Bank and building society lending

A group of 90 large banks gives information every week to the Bank of England about its lending patterns. The collated data related to the previous week are normally available every Wednesday.

Much the same happens for building society lending, with the figures being collected by the Building Societies Commission, the industry watchdog.

As with retail sales, only the monthly figures are available to the public – well out of date.

If you want to find out about the weekly data, take out for lunch a top banker or building society chief and state your case. The Treasury gets the statistics every week.

Housing sales

The big building societies, which have their own chains of estate agents, conduct their own weekly surveys to assess the strength of housing turnover. At least one of these groups provides the Treasury with the information. Assessing the nationwide pattern on a weekly basis is extremely difficult. But the data from the individual businesses will almost certainly be a help.

Air transport

British Airways and BAA produce their own monthly data on UK passenger traffic and aircraft movements.

However, they normally keep much of the most interesting information – such as the numbers of people using specific routes – to *themselves. If you have a good* internal contact, you may be able to get the data on a weekly basis.

Car sales

The Society of Motor *Manufacturers and Traders has an* arrangement with the government's Driver and Vehicle Licensing Agency under which it gets data – transfered via electronic links – about new car registrations, virtually as they are happening.

This can provide timely clues as to overall economic activity. The SMMT publishes figures for each month, normally on the fourth working day of the following month. The statistics for April showed a sharp year-on-year increase. Why not ask the DVLA for the data on a more timely basis?

Recruitment

MSL, a specialist recruitment consultancy, monitors job advertisements in newspapers to gauge demand for top managers in *industry and public services. This is* considered a reliable guide to future patterns of economic activity. An index compiled by MSL – which has a good track record – is normally published once a quarter. MSL may be able to inform you about changes more regularly.

Trade

Official data about imports and exports are published by the CSO, weeks out of date. A useful guide to trends – though not conclusive – may be the figures available every week from P&O, the shipping company, on its cargoes to and from the UK and continental Europe.

Industry

Time was when sulphuric acid and steel were the main industrial *bellwethers. More important now* are semiconductors and plastics packaging. The Electronic Component Industry Federation publishes monthly figures on semiconductor production and consumption. (The most recent data show little sign of any economic lift.) And talk to British Polyethylene Industries, Europe's biggest producer of plastic sheet. In recent months, sales have been "flat on a quarterly basis, but not as bad as a year ago."

Bosses on the up and up, down under

Kevin Brown says there is concern over rises in executive pay in Australia

Australian bosses seem to be awarding themselves increasingly fat pay rises, while at the same time expecting blue collar workers to act in the national interest and accept modest increases.

Peter Cook, federal industrial relations minister, says he is "concerned" by forecasts that bosses' pay will rise by 12 per cent this year, when workers, covered by *Australia's centralised wage bargaining* system, will receive increases of 2.5 per cent.

The figures reflect a disparity which has become more noticeable since the Labor Party began to open the economy to external pressures in the mid-1980s, ending 80 years of protectionism. This has led to a more competitive market for senior executives. But while top salaries have been rising sharply, the government has sought to improve overall industrial competitiveness and control inflation by holding down average wages.

Workers have been angered by evidence that the increases of their *bosses have not always borne much* relation to performance, especially in companies run by entrepreneurs like Alan Bond, former chairman of Bond Corporation Holdings and Christopher Skase, former head of the Qintex media and leisure group.

The largest rise in directors' fees in 1990 was for John Spalvins, then managing director of the Adelaide Steamship group, whose pay rose 56 per cent to A$1.2m (£500,000). Adsteam subsequently fired Spalvins under pressure from its bankers and the company is now being financially restructured.

While no one is prepared to *defend the entrepreneurs,* many consultants say Australian salaries and fees are relatively low by international standards and suggest that an adjustment was inevitable.

Towers Perrin, the international management consultancy, recently produced a comparison of executive pay which concluded that Australian salaries were in the bottom quartile of the 21 countries studied.

The total package for the chief executive of a medium-sized Australian company was put at $271,000, (£150,500) the lowest of any OECD country surveyed. Equivalent salaries included $400,000 in the UK, and $747,000 in the US.

Matthew Butlin, a senior official of the Business Council of Australia, says disparities of this kind have been behind the increase in top pay which has taken place as the economy has opened up.

However, the apparent underpayment of Australians may be misleading. Simple comparisons fail to take into account the job security traditionally enjoyed by Australian managers. In addition, many Australian businesses are subsidiaries of overseas corporations which make important decisions at parent company level. This means that the responsibilities of Australian executives are often not comparable to those of managers in independently-owned companies of similar size.

Nevertheless, the trend in executive rewards is clearly upwards, and there are few signs that the boom is petering out, although it has been slowed by 18 months of flat or negative economic growth.

The government has set up an inquiry into the issue which will report later this year. However, early indications are that the inquiry is finding it difficult to *identify ways of forcing executives* to share the restraint being urged on the rest of the community.

From the government's point of view, the best hope is likely to be a greater linkage between pay and performance and greater scrutiny of top pay by remuneration *committees and non-executive directors.* Peter Kent, chairman of the Australian Shareholders' Association, says such a development would be strongly supported by small shareholders, few of whom object to high salaries for executives who produce results.

However, John Egan, a veteran Sydney remuneration consultant, says the introduction of results-related remuneration is being strongly resisted by managers who are unaccustomed to the idea of risking part of their income – or their jobs.

"We have to find a path forward where we are *not* encouraging greed, but we are genuinely responding to sustained performance by managers who are also at risk of losing their jobs if they don't perform. That is not going to be easy to do," said Egan.

CONSTRUCTION CONTRACTS

£20m Bristol road project

The Bristol Development Corporation (BDC) has awarded the design and build contract for the Bristol spine road to BALFOUR BEATTY. The contract, valued at £20m, is due to start on site this month, although preliminary site works have already begun.

The spine road, due for completion by May 1994, is believed to be the largest and fastest contract of its kind and the most important infrastructure project in Bristol.

Significantly, for a major work of this scale, the contract is substantially under budget.

The 1.5 mile dual carriageway road will link the M32 (M4/M5) in the north with the A4 Bath Road in the south, opening up the BDC's 900 acre urban area for major redevelopment.

The spine road, together with the proposed Avon Weir, form the axis of the Corporation's regeneration strategy which is aimed at transforming Bristol's waterfront and linking the area into the national transport network.

The spine road will relieve traffic congestion on the inner circuit road allowing capacity for the Corporation's flagship gateway development at Temple Meads and also open up the potential for new public transport initiatives.

The Temple Meads project is a £500m mixed development, aimed specifically at office relocation.

Easing traffic congestion in Oldham

A traffic bottleneck in Oldham will be relieved under a £5m road improvement contract awarded to TARMAC CONSTRUCTION.

About 2.6 kilometres of the A62 Manchester Road in Oldham is to be converted into a dual carriageway. It will run from Oldham's ring road, the Oldham Way to South Street.

The contract, for Oldham Municipal Borough Council, includes extensive demolition of empty commercial properties, including several pubs and shops, to create the new southbound two-lane carriageway. The existing road will be upgraded to become the northbound two-lane carriageway.

Work includes excavating and capping old mine shafts and pumping up to 4,000 tonnes of grouting into the mine workings.

More than 30 side streets will also have to be re-aligned at their junctions with Manchester Road.

£19m retail orders won by Costain

COSTAIN BUILDING & CIVIL ENGINEERING has been awarded five retail contracts, worth nearly £19m, located across the country.

The largest contract is a construction project for Wm Morrison Supermarkets for a superstore in Whitley Bay. The scheme consists of a predominately single-storey superstore, with two-storey elements, a petrol station with car wash and ancillary retail units. The structure will be a steel frame on pad foundations with brick and block cavity walls and a tiled roof. The construction is due for completion next January.

There are three fitting-out contracts for Waitrose for the shells of stores at Longfield, near Dartford, The Meadows in Chelmsford, and Cathedral Way, Chichester – all of which were built by Costain. All three contracts include all services and fittings to the sales areas, warehouse preparation and all associated works.

The final contract is a fitting-out contract for BhS, for its store in the Crown Gate Shopping Centre in Worcester. Valued at nearly £2m, the contract includes all service installations and is due for completion in August.

Indoor water park at North Shields

LAING NORTHERN has won a contract, worth about £6m, to construct an indoor water park for Tyneside Waterpark at North Shields with Tyne & Wear Development Corporation and TSB as financiers.

Work has started and completion is scheduled for summer 1993. The building, part of the 200 acres Royal Quays development, will be rectangular in shape with a concave curved roof. A spine wall will separate the main volume of the building from the flume tower and run out area.

Most of the construction will be at ground floor level with two-storey accommodation against the spine wall.

The building will be entered at one end directly into the first floor. At this level there will be the control, administration, cafe, bar and support spaces.

The building is designed to take 12 rides: six "speed" slides; five conventional flumes and one river ride. Initially there will be four flumes, the river ride and two "speed" slides – the "Twister", which will be 85 metres long with a take-off height of 12.5 metres.

£19.2m workload for Alfred McAlpine

The ALFRED McALPINE CONSTRUCTION company has been awarded £19.2m worth of contracts all over the UK.

Among the clients are Wormold Holdings, Shropshire County Council, British Gas, Leeds City Council and Ossory Estates.

The Wormold contract comprises an office block in Manchester, valued at £3.8m. Shropshire County Council has placed a £595,000 bridge improvement project and Leeds City Council two school improvement schemes valued at £2.36m.

In the South East, the company has been awarded a £6m batch of public housing contracts, and in Glasgow, the management company is to undertake a £5m shopping centre refurbishment project for Ossory Estates in Greenoch, Scotland.

Operations centre at Heathrow

A combined operations centre is to be built by the P&O company, BOVIS CONSTRUCTION at Heathrow Airport for Lynton, the property development subsidiary of BAA. The centre will be occupied by British Airways.

Bovis Construction has been awarded a £23m construction management contract for the two-year project. The building will provide 200,000 sq ft of offices on ground, first and second floors.

The shell will be of reinforced concrete with a curtain wall cladding and the interior will be finished to shell and core specification.

The 11 acre site, which lies between the Bath Road and the airport's northern perimeter road, was formerly occupied by Heathrow's original air traffic control centre.

Roadbuilding

AMEY CONSTRUCTION has *recently secured five road projects totalling £15m:*

- The largest is the £5m 3km A441 Alvechurch bypass for Hereford and Worcester County Council.
- The £4.1m A650 Airedale route for DTp Yorkshire and Humberside, including a 400 metre diversion of the Leeds and Liverpool canal.
- For the City of Bradford, the £3m Salt Mills to Otley road; in urban construction with 700 metres of new carriageway, a new canal bridge and widening of two rail bridges.
- The A48 Lydney bypass for Gloucestershire County Council valued at £1.12m, including 800 metres of carriageway and the diversion of the River Lydd.
- For Milton Keynes Development Corporation, a £1m contract is for the provision of three concrete underpasses.

PEOPLE

Through the ranks at Barclays

Barclays Bank has named Bill Gordon, a career Barclays man who has worked his way up through the ranks since he joined a Birmingham branch at 16, as its new managing director in the banking division. In charge of UK banking, he replaces Geoff Miller who is taking early retirement at the end of the month.

Gordon, 52, moves after a spell as director of personnel, which should be good preparation for his new assignment – given that the bidding for Midland places the British banking market on the cusp of its biggest shake-out, in jobs as well as everything else, for decades. His new responsibilities encompass the gamut of everyday banking activities throughout the UK branch network; central retail services including UK credit cards; and the Mercantile Group. He works alongside Richard Carden who is the banking division managing director in charge of international and corporate banking.

At personnel for the past two years, he says one of his achievements, last year, was to "downsize" the overall staff by 5,000 "using a range of imaginative schemes rather than the brown envelope technique". Immediately before that, he worked under Miller in the banking division as director of UK corporate services, among other things helping to create the 300 or so business centres around the country which cater specifically to medium-sized businesses – a pool of expertise at the bank which he claims has proved very useful in dealing with the kinds of problem that have arisen during the recession.

Finance role split at Berkeley

The Berkeley Group, the Surrey-based housebuilder, has brought Roger Lewis on to the board with responsibility for corporate finance and, with chief executive Tony Pidgley, strategy.

Pidgley, who is wary of companies with finance directors who spend too much time in the City, believes in splitting the role of finance director. So Brian Davis remains in charge of day-to-day functions while Lewis concentrates on what Pidgley terms corporate finance – which includes long-term funding arrangements, financing for joint ventures and for new acquisitions.

Lewis, 45, joined the company last year, and has already been working in these areas, although his promotion to the board gives him an opportunity to become more closely involved in decisions relating to "strategic growth".

■ Alison Horrocks has been appointed group company secretary of SHANDWICK.

■ George Neophitou has been promoted to financial director of HARLAND SIMON following the resignation of John Macaulay.

■ David Johnson, a director of LAWSON MARDON's folding carton division, has been appointed business planning director of IMG Packaging, Europe, formed from the former rigid plastics & metals sector and the flexible packaging division, Europe.

■ Charles Banks, chief operating officer of Ferguson Enterprises, and John Watson, vice-president of Brossette, are appointed to the WOLSELEY main board.

■ Chris Lyddon, finance director of ASW, is retiring because of ill-health; Christopher Tracy, director corporate development, will continue his responsibilities for the time being.

■ Stephen LeBeau, one of the rising stars of the British machine tool industry, has joined 600 Group as product strategy and marketing director for its recently formed lathe division.

The appointment is important for 600 Group, which makes and imports machine tools and materials handling equipment. Earlier this year it closed its lathe factory at Colchester and concentrated production at its Harrison plant in West Yorkshire.

The move has made it vital for the company to develop a detailed product strategy for the Colchester and Harrison lathes, which will continue to be sold separately. This will be LeBeau's task in a post tailor-made for him, one of the few men in the industry to hold a PhD in machine tool product strategy.

Until the end of March, he was UK sales director at Yamazaki Machinery, but parted company from the Japanese group after only 15 months for reasons which were never made clear.

Hands-on experience for adviser

Lance Anisfeld, one of Peter Lilley's special advisers at the Department of Trade and Industry, has decided to try his hand at making money in the real world rather than follow his boss to the Department of Social Security.

"At the DTI you are mixing with business leaders but at the DSS you are having to spend your time with the poverty lobby," says the 30-year old Anisfeld. Conscious that Lilley often taunted his Labour rivals that "none of them had ever spent a day in industry in their lives", Anisfeld has decided to get some hands-on experience.

He has been appointed joint managing partner of East8, a small firm of property advisers specialising in Eastern Europe and founded by Philip Hudson, a 32-year-old architect.

Anisfeld, who qualified as a chartered accountant with Price Waterhouse, was first spotted by Madsen Pirie, president of the free-market Adam Smith Institute and the man credited with writing the nasty bits in prime minister John Major's speeches. A former president of the Cambridge Union, where he is remembered more for his yellow dinner jacket than his libertarian views, Anisfeld had worked in PW's privatisation group under Howard Hyman. At the DTI he concentrated on trade matters.

Anisfeld contributed to East8's guide to Real Estate Development in Eastern Europe, and the firm is advising the European Bank for Reconstruction and Development on its first real estate project in Europe – the National Bank of Poland's 800,000 sq ft banking centre in Warsaw which is being constructed in conjunction with US developers.

Revolutionary idea from Mars

■ Jim O'Neill, head of global capital markets research at Swiss Bank Corporation, has lured S G Warburg's European economist David Mars to beef up the European equity research operation in London.

O'Neill, who is less than complimentary about how research is organised at other houses, has had the "quite revolutionary" idea of integrating bond and equity research in one group, thereby maximising cross-fertilisation of ideas and minimising in-house fights.

Mars himself may know something about the latter, as his territory appeared to overlap considerably with Warburg's international economist George Magnus.

SBC, while well-respected for its foreign exchange and bond, particularly Ecu, coverage, has some catching up to do on the equity side. But O'Neill at least had the satisfaction of generating considerable surprise at the Warburgs stable with his latest appointment.

Mars, 44, joins as a director and head of European equity research in London. Before his five-year stint at Warburgs, he spent some years with the Commission in Brussels, and earlier at the Treasury.

LEGAL NOTICES

Advertisement of creditors' meeting under Section 48(2) of the Insolvency Act 1986

Company No 1192502
Registered in England and Wales
CONQUEST INDUSTRIAL SERVICES LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at: Orchard House, 10 Albion Place, Maidstone, Kent, ME14 5DZ on 26 May 1992 at 10.30 a.m. for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if: (a) they have delivered to us at the address shown above, no later than noon on 22 May 1992, written details of the debts they claim to be due to them from the company and the claim *has been duly admitted under the provisions* of Rule 3.11 of the Insolvency Rule 1986; and (b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Signed N J Vooght
Joint Administrative Receiver
Dated 11 May 1992

Advertisement of creditors' meeting under Section 48(2) of the Insolvency Act 1986

Company No 2404787
Registered in England and Wales
BARTSIA LIMITED

NOTICE IS HEREBY GIVEN, pursuant to *Section 48(2) of the Insolvency Act 1986,* that a meeting of the unsecured creditors of the above-named company will be held at: Melrose House, 42 Dingwall Road, Croydon, Surrey on 26 May 1992 at 11.00 for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if: (a) they have delivered to me at the address shown above, no later than noon on 25 May 1992, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and (b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Signed N J Vooght
Joint Administrative Receiver

Notice of Creditors' Meeting
COMPLEX PLASTICS COMPANY
LIMITED (IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a MEETING of CREDITORS of the above named company will be held at The Grand Hotel, Granby Street, Leicester on 27 May 1992 at 11.00am, for the purposes of having laid before it the report prepared by the Administrative Receivers in accordance with the said Section and, if thought fit appoint a Committee. Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless the other person is subject to bankruptcy order or in liquidation). Creditors wishing to vote at the meeting must lodge a written statement of claim with us at Cork Gully, Abacus House, 32 Friar Lane, Leicester, LE1 5RA no later than noon on 26 May 1992. Forms of proxy are enclosed which, if intended to be used, must be lodged with us by that time.

Dated this 12 day of May 1992
Robert Bailey, Joint Administrative Receiver.

NOTICE TO CREDITORS TO SEND CLAIMS
THE INSOLVENCY ACT 1986
LONGSTAFF AND SHAW SERVICES *LIMITED*

NOTICE IS HEREBY GIVEN that, the creditors of the above-named company are required on or before the 31st day of May 1992 to send their names and addresses and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to R W Cork and A R Stanway of CORK GULLY at Shelley House, 3 Noble Street, London EC2V 7DQ, the Joint Liquidators of the said company, and, if so required by notice in writing from the said Joint Liquidators, or by their solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved

DATED this 5th day of May 1992
A R Stanway, Joint Liquidator of Longstaff and Shaw Engineering Limited

NOTICE TO CREDITORS TO SEND CLAIMS
THE INSOLVENCY ACT 1986
LONGSTAFF AND SHAW ENGINEERING LIMITED

NOTICE IS HEREBY GIVEN that, the creditors of the above-named company are required on or before the 31st day of May 1992 to send their names and addresses and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to R W Cork and A R Stanway of CORK GULLY at Shelley House, 3 Noble Street, London EC2V 7DQ, the Joint Liquidators of the said company, and, if so required by notice in writing from the said *Joint Liquidators, or by their solicitors, or* personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved

DATED this 5th day of May 1992
A R Stanway, Joint Liquidator of Longstaff and Shaw Engineering Limited

NOTICE TO CREDITORS TO SEND CLAIMS
THE INSOLVENCY ACT 1986
LONGSTAFF AND SHAW HOLDINGS LIMITED

NOTICE IS HEREBY GIVEN that, the creditors of the above-named company are required on or before the 31st day of May 1992 to send their names and addresses and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to R W Cork and A R Stanway of CORK GULLY at Shelley House, 3 Noble Street, London EC2V 7DQ, the Joint Liquidators of the said company, and, if so required by notice in writing from the said Joint Liquidators, or by their solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved

DATED this 5th day of May 1992
A R Stanway, Joint Liquidator of Longstaff and Shaw Engineering Limited

NOTICE TO CREDITORS TO SEND CLAIMS
THE INSOLVENCY ACT 1986
L & S PROTECTION SYSTEMS LIMITED

NOTICE IS HEREBY GIVEN that, the creditors of the above-named company are required on or before the 31st day of May 1992 to send their names and addresses and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to R W Cork and A R *Stanway of CORK GULLY at Shelley House,* 3 Noble Street, London EC2V 7DQ, the Joint Liquidators of the said company, and, if so required by notice in writing from the said Joint Liquidators, or by their solicitors, or *personally, to come in and prove their said* debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved

DATED this 5th day of May 1992
A R Stanway, Joint Liquidator of Longstaff and Shaw Engineering Limited

Company No: 1969010
Registered in England and Wales
INSOLVENCY ACT 1986
Resolutions of Longstaff and Shaw Engineering Limited (In Receivership)
PASSED

At an extraordinary general meeting of the above named company duly convened and held at Shelley House, 3 Noble Street, London EC2V 7DQ, the following resolutions were passed: No1 as an extraordinary resolution and No 2 as an ordinary resolution:

1. That it has been proved to the satisfaction of this meeting that the company cannot, by reason of its liabilities, continue its business *and that it is advisable to wind up the same* and THAT accordingly the company be wound up voluntarily.

2. THAT Adrian Richard Stanway and Roger William Cork, of Cork Gully, Shelley House, 3 Noble Street,London EC2U 7DQ, be and are hereby appointed joint liquidators of the company.

Dated 30.4.92 Chairman.

At a meeting of creditors held on 30 April 1992 the creditors confirmed the *appointment of Adrian Richard Stanway and* Roger William Cork as joint liquidators.

Dated 30.4.92 Chairman

Company No: 2058486
Registered in England and Wales
INSOLVENCY ACT 1986
Resolutions of Longstaff and Shaw Holdings Limited (In Receivership)
PASSED

At an extraordinary general meeting of the above named company duly convened and held at Shelley House, 3 Noble Street, London EC2V 7DQ, the following resolutions were passed: No1 as an extraordinary resolution and No 2 as an ordinary resolution:

1. That it has been proved to the satisfaction of this meeting that the company cannot, by reason of its liabilities, continue its business and that it is advisable to wind up the same and THAT accordingly the company be wound up voluntarily.

2. THAT Adrian Richard Stanway and Roger William Cork, of Cork Gully, Shelley House, 3 Noble Street,London EC2U 7DQ, be and are hereby appointed joint liquidators of the company.

At a meeting of creditors held on 30 April 1992 the creditors confirmed the appointment of Adrian Richard Stanway and Roger William Cork as joint liquidators.

Dated 30.4.92 Chairman

Company No: 1046810 Registered in England and Wales. Insolvency Act 1986. Resolutions of:
L & S FIRE PROTECTION SYSTEMS LIMITED (IN RECEIVERSHIP)

PASSED – At an extraordinary general meeting of the above named company duly convened and held at Shelley House, 3 Noble Street, London EC2V 7DQ, the following resolutions were passed: No 1 as an extraordinary resolution and No 2 as an ordinary resolution:

1 That it has been proved to the satisfaction of this meeting that the company cannot, by reason of its liabilities, continue its business and that it is advisable to wind up the same and THAT accordingly the company be wound up voluntarily.

2 THAT Adrian Richard Stanway and Roger William Cork, of Cork Gully, Shelly House, 3 Noble Street, London EC2U 7DQ be and are hereby appointed joint liquidators of the company.

Dated 30 April 1992. Chairman.

At a meeting of creditors held on 30 April 1992 the creditors confirmed the appointment of Adrian Richard Stanway and Roger William Cork as joint liquidators.

Dated 30 April 1992, Chairman.

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
SAM SCAFFOLD MERCHANTS LIMITED

Registration number: 2349483.
Former Name: SAM SKIPS LIMITED
Trade Classification: 23.
Names and Addresses of Joint Administrative Receivers:

I. Jacob	N. H. Cooper
Robson Rhodes	Robson Rhodes
186 City Road	186 City Road
London EC1V 2NU	London EC1V 2NU

Date of Appointment: 8th May 1992.
By whom Appointed: Midland Bank Plc
Date of Charge: 4th April 1989
Nature of Charge: Fixed and floating
I. Jacob and N. H. Cooper.
Joint Administrative Receivers

Company No: 1046811. Registered in England and Wales. Insolvency Act 1986. Resolutions of:
LONGSTAFF AND SHAW SERVICES LIMITED (IN RECEIVERSHIP)

PASSED – At an extraordinary general meeting of the above named company duly convened and held at Shelley House, 3 Noble Street, London EC2V 7DQ, the following resolutions were passed: No1 as an extraordinary resolution and No 2 as an ordinary resolution:

1 That it has been proved to the satisfaction of this meeting that the company cannot, by reason of its liabilities, continue its business and that it is advisable to wind up the same and THAT accordingly the company be wound up voluntarily.

2 THAT Adrian Richard Stanway and Roger William Cork, of Cork Gully, Shelly House, 3 Noble Street, London EC2U 7DQ be and are hereby appointed joint liquidators of the company.

Dated 30 April 1992. Chairman.

At a meeting of creditors held on 30 April 1992 the creditors confirmed the appointment of Adrian Richard Stanway and Roger William Cork as joint liquidators.

Dated 30 April 1992. Chairman

POLLY PECK INTERNATIONAL (FINANCE) NV
Registered Office: P.O. Box 6085, Curacao, NETHERLANDS ANTILLES
EXTRAORDINARY REDEMPTION NOTICE

Pursuant to Article 9.4 of the Articles of Association of the company, notice is hereby given that the company has received from the holders of the 7 1/4 per cent Guaranteed Redeemable Convertible Preference Shares ("the preference shares") notices together requiring redemption of more than one half of the originally issued and outstanding preference shares. As the Board of Managing Directors is required to pursuant to the Articles of Association of the company to determine a redemption date, such date is set at 4 June 1992.

Preference shareholders who have not yet offered their preference shares for redemption and wish to be informed of their rights, are invited to contact Mr Linders (tel: International 31 10 436 5144)

The Board of Directors
May 13, 1992

NOTICE TO CREDITORS TO SEND CLAIMS
THE INSOLVENCY ACT 1986
LONGSTAFF AND SHAW LIMITED

NOTICE IS HEREBY GIVEN that, the creditors of the above-named company are required on or before the 31st day of May 1992 to send their names and addresses and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to R W Cork and A R *Stanway of CORK GULLY at Shelley House,* 3 Noble Street, London EC2V 7DQ, the Joint Liquidators of the said company, and, if so required by notice in writing from the said Joint Liquidators, or by their solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved

DATED this 5th day of May 1992
A R Stanway, Joint Liquidator of Longstaff and Shaw Engineering Limited

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS
JAYS SCAFFOLD COMPANY LIMITED

Registration number: 2004159.
Trade Classification: 23.
Names and Addresses of Joint Administrative Receivers:

I. Jacob	N. H. Cooper
Robson Rhodes	Robson Rhodes
186 City Road	186 City Road
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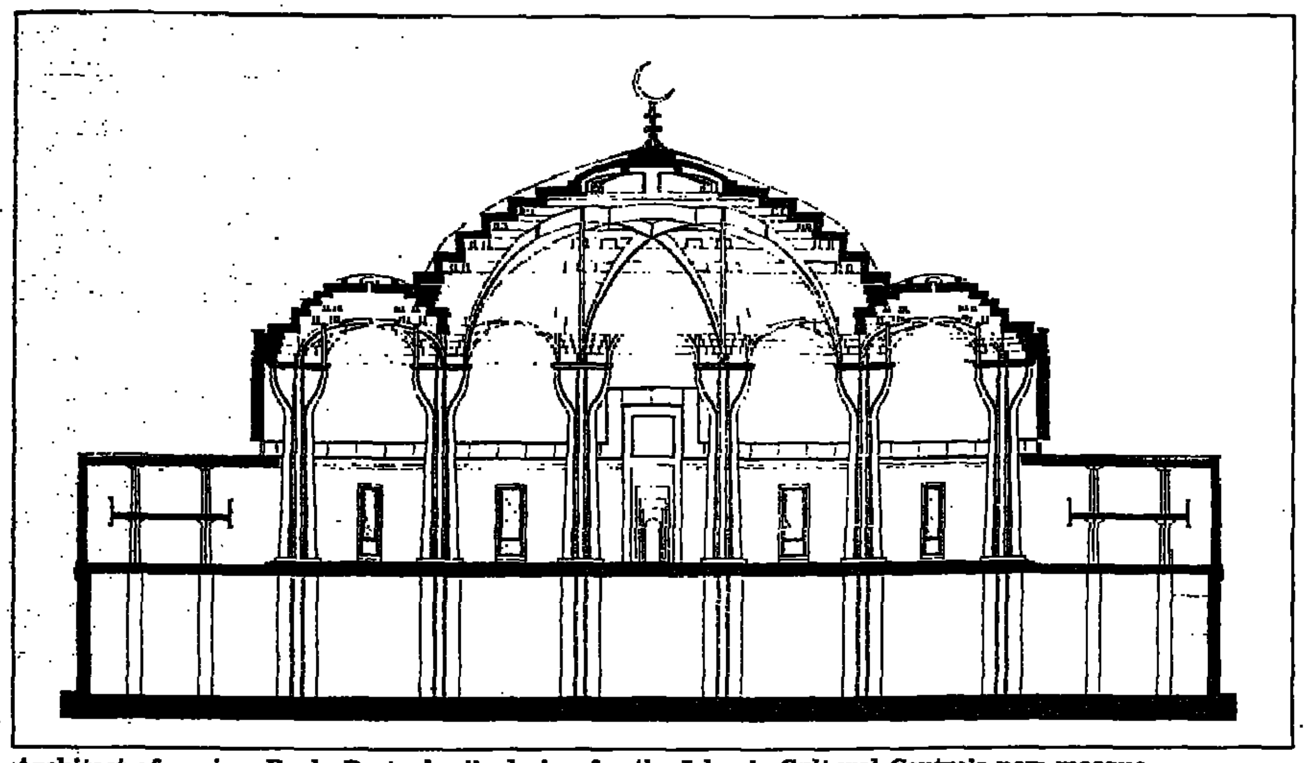

Architect of genius: Paolo Portoghesi's design for the Islamic Cultural Centre's new mosque

Architecture/Colin Amery

A new dome for Rome

I have just seen a wonder. The new mosque and Islamic Cultural Centre in Rome by the distinguished architect Paolo Portoghesi is one of the very best new buildings I have seen for a long time. First of all, it is remarkable as the first and only mosque in the capital city of Christendom. Secondly, it is brilliant as an advanced example of the work of a master architect and historian.

Paolo Portoghesi won the commission to design this mosque as long ago as 1975. It is still being built on a site in the suburbs of Rome beyond Parioli. Completion is probably due this autumn but there seems to be no hurry – decoration of the interior by Moslem craftsmen continues slowly and carefully. Work did not really begin until 1985 and when you visit the site today there is an unusually calm sense of unhurried progress.

The domed mosque is only a part of a group of cultural buildings – a library, prayer hall, school, auditorium and offices make up what Portoghesi calls a small slice of the city. The approach to the new mosque is a processional route that begins with a circular fountain set within a square, along a gently ascending flight of shallow steps where water runs alongside in a narrow channel, as it does in a Moghul garden. At the top of this ascent, which is almost a modest echo of that climb to Aracoeli by the Campidoglio, is a grand colonnaded square. Here the architect's real ingenuity is manifest in three dimensions. There is a forest of smooth concrete columns that divide and branch almost like trees. As the curved branching tops of these columns overlap visually, the eye sees Islamic forms cross and merge to make what appear to be the pointed shapes of Italian Gothic. At the same time there are strong suggestions of the great Islamic buildings at Cordoba.

To one side of this cloistered square is the mosque itself – entered through a pair of giant doors, which the architect opened for me with an appropriately large key. The interior is a glorious revelation. Portoghesi has written about and studied the Italian Baroque as no other architect has. In his mosque is all the absorbed knowledge of the past transformed into something completely new. The inside of the beautiful dome floats above a lacework of ribs. It is pierced to allow a series of precise rays of light on to the tiled floor. The proportions of the dome are the same as those of the Pantheon – a perfect sphere would fit beneath it. There is a sense of total, calm rightness, emphasised by the complexity of the ring of the branched columns that surround it.

I think it is Portoghesi's skill as a manipulator of light and structure that makes this interior so successful. It is a complex but rewarding place that intriguingly marries the mathematics and pattern making of the Middle East to a truly Roman sense of architecture. There are some worries. Much Islamic mosaic and carved decoration can be restrained and elegant. There is, however, a real danger that modern versions of Islamic pattern making can look kitsch. So far the Moroccan mosaicists have been responsive to the architecture but it would be a tragedy if the pure beauty of the architecture was overpowered by a layer of decoration of indifferent quality. In the unfinished prayer hall one feels an incredible architectural power, almost reminiscent of ancient Egypt. This could also be trivialised by casual decoration.

The architect has used remarkable materials. The lowest floors are built from large scale tufa bricks. The mass of the walls are made of the thinnest Roman clay bricks that lie one upon another with scarcely any mortar – yellow ones made from Aurelian clay and red ones from Flaminian. Travertine marble trims the brickwork and is used for paving. The very subtle ribbed dome – which deliberately manages not to look either Islamic or Roman – is sheathed in lead. Traditional materials meet the prefabricated concrete columns with perfect equanimity. In the same way Portoghesi's architecture brings the intelligence of the past to the present – the result is powerfully evocative but also completely new. Professor Portoghesi is a very great architect.

We are lucky in England to learn that he has recently won a competition to design a new building at St. Peter's College, Oxford. The Intellectual Property Centre will form the fourth side of the south quadrangle of the college. It will be Portoghesi's first building in this country and St. Peter's must be congratulated on making such an enlightened choice.

It is a relatively small building that fills a very narrow site. It will be on six floors and house the college law library, the intellectual property law centre and teaching and residential space for visiting fellows. An important part of the design is the landscape and patterning of the court which adds a sense of dignified perspective to a quad of uneven architectural quality. Portoghesi's arrangement of pediments and gables and frames and cloisters seems to adopt elements from the disparate façades of the quadrangle and harmonise them into an intricate geometry that will be a most distinguished and intelligent addition to the architecture of Oxford.

Television/Andrew Clements

The Mystery of Dr Martinu

It is 22 years, no less, since Ken Russell last made a film for the BBC. *The Mystery of Dr Martinu*, screened on BBC2 on Saturday to open the channel's season of *Collaborations and Commissions*, offered a belated postscript to the Martinu centenary in 1990 as well as a splendidly batty study of one of twentieth-century music's more elusive figures. Personal prejudice needs to butt in here. There are few celebrated composers of any nationality or any century whose music infuriates me more than Martinu's, none whose works, with the single exception of the opera *Julietta*, seems more trivial or dispensable. But even after watching *Dr Martinu* it's still difficult to work out just what Ken Russell thinks of the music, or indeed of Martinu himself as anything but a suitable case for televisual fantasy.

His life was that of a wandering composer – from Bohemia to Paris, Paris to New York, and finally back to France – his musical output staggeringly vast, much of it still unpublished. The crux of Russell's film was Martinu's breakdown in the late 1940s. The fantasies and fears of that period provided him with a rich parade of images – a troop of deaf-mute girls dabbling in rock pools on the seashore, images of the composer's hands alive with ants, and, repeatedly, a lighthouse from which a beautiful girl endlessly beckons and from whose delights Martinu is barred by a succession of uniformed doormen.

A key to all this was provided by the final confrontation between Martinu and his analyst, teasing out the threads and obsessions in a script of unashamed banality. The girl, for instance, turned out to have been a student with whom Martinu had had an affair in Paris, and with whom he had been discovered *in flagrante* by his ever faithful wife. But Russell never made a connection between any of this and the music, so that the soundtrack of blithely trivial works counterpointing these lusciously choreographed scenes appeared quite irrelevant.

Perhaps that was the point. Did Martinu always compose on automatic pilot, careful to keep himself completely detached from his art? As he moved from fashion to fashion he never found the style that he sought. The real mystery of Dr Martinu is surely that a composer of such tremendous facility and skill was able to hide his own personality so completely; confronted by Russell's own fantasies he just didn't stand a chance.

Opera

Snatched by the Gods/Broken Strings

On their way to the Munich Biennale, the destination of so much new opera these days, two pieces by Param Vir were presented for the first time last week under the auspices of Netherlands Opera at the Amsterdam Studios. The cast was largely British, as was fitting when the composer's language – his musical language as well as the language of his librettos – has become so British since he came to England from his native India eight years ago. Studying with Maxwell Davies and Oliver Knussen may have helped. However *Snatched by the Gods*, the earlier of these chamber operas, suggested Britten's *Curlew River* as the nearer neighbour.

This is also a story of pilgrimage, a boat crossing and the death of a boy. There is even a close musical connection in the wan falls with which so many of the vocal phrases end. Quite bizarrely, an Indian composer's treatment of an Indian story (based on a poem of Tagore) sounded for all the world like a piece of European exoticism, its main distinction being in the instrumental music, evoking moods of the sea in the way of another Britten work.

The companion piece, *Broken Strings*, is musically more individual and instrumentally even more lustrous: hearing it played so superbly by the ASKO Ensemble under David Porcelijn was like turning the pages of a richly illuminated Persian or Moghul book.

The story, too, is more interesting: a Buddhist parable, adapted by David Rudkin. A young musician, proudly confident of winning the competition for a royal appointment, is astonished when his elder rival continues to play on a broken instrument, summoning magic animals – an elephant, a fish, a peacock – with his music. The young man breaks his own instrument. Nothing happens.

Param Vir's music rapturously takes hold of the opportunities here for illustration, in matching, for instance, the characters and speeds of the magic animals, and even in tackling the rather trickier matter of suggesting the celestial music the old musician plays. In remaining at that level of illustration, though, the composer may have been too modest; the piece begins as spoken drama, and the role of the music is not so far above that of the rich brocade costumes invented by Chloe Obolesnky for the magic animals, a role of beautification. One wanted the supple solo woodwind lines, the inventive string effects and the suave textures woven around harp and two horns to be more at the heart of the matter, as they might with a more suggestive, ambiguous sort of drama.

Pierre Audi directed the two pieces with care and tact. There were excellent performances from Cynthia Buchan and Katherine Ciesinski as the main women characters in *Snatched by the Gods* – the one strident in warmth, the other warm in stridency – and from Christopher Gillett and Richard Suart as the two musicians in *Broken Strings*, a show almost stolen by Nuala Willis's deep-voiced magic elephant.

Paul Griffiths

Covent Garden

La Bohème

In the 18 years since it was new, the Royal Opera's production of *La Bohème* has played host to most of the leading tenors of a generation, including the big three of Carreras, Domingo and Pavarotti. With the marvellous music that Puccini gave his Rodolfo this can easily become a tenor's opera and that is exactly what happened at the first night of this revival on Saturday.

The good reports that have been coming out of La Scala, Milan, about Roberto Alagna have not lied. French by birth, Sicilian by descent, this young tenor could hardly be more ideally suited to play the poet in Puccini's tale of Parisian romance. He has the looks and the stage presence, bright, smiling, quickly smartening up his hair when he hears there is a girl at his door, as well as a voice that has the role easily within its compass.

This last was fortunate in the circumstances, as he was saddled with the most obtuse conductor of Puccini that this production can have witnessed in all its two decades. Mark Ermler kills the music with kindness. When the pace should be firm, he slows up. When it slows, he very nearly stops altogether. The gap between one phrase and the next becomes a ravine of silence, on the edge of which the singers are left to teeter nervously.

There was no chance for the Rodolfo to make this a performance of headstrong, veristic passion and Alagna wisely did not try. Instead he used the time at his disposal to shape musical phrases of considerable elegance and beauty, varying the tone with real tenderness when he sings quietly. There is not a lot of flesh on the voice as yet, but it is a healthy sound, fresh, sappy, technically well placed. He is welcome back in London at any time.

There were other debuts at this revival, including the Mimì of the Romanian soprano Angela Gheorghiu. Those with happy memories of this production will think back to her compatriot Ileana Cotrubas in the same role, but Gheorghiu is a different kind of singer, harder in sound and a touch more resilient in nature too, so that she does not win hearts so easily, although she does sing as though she cares about every phrase.

Anthony Michaels-Moore was the new Marcello, not sounding very Italianate alongside Alagna, but he is taking confidently to the larger roles with which the Royal Opera is now entrusting him. Bruno Caproni and Clive Bayley completed the Bohemian quartet ably enough, without erasing memories of their predecessors. Either the audience lacked a sense of humour or their comic routines have lost their edge over the years.

The latter seems more likely and so this revival gets its recommendation mainly for the chance to hear a young (half-) Italian tenor of outstanding promise. Note, however, that Alagna does not sing in the last two performances.

Alastair Muir

Alagna and Gheorghiu

Richard Fairman

Performances continue until 17 June. (Box Office: 071 240 1066.)

L'Opéra Français de New York

The City Opera season ended back in November and the Met season in mid-April, but the city has not been left quite opera-less. L'Opéra Français de New York put on three performances of a Milhaud centenary bill, *Le Pauvre Matelot* and *Esther de Carpentras*; and the Juilliard gave the New York première of Delius's *Fennimore and Gerda*.

Fennimore needs no long notice. Most of its productions from the British premières onward (BBC in 1962, staged by Hammersmith in 1968) have been reviewed in these pages; and the Juilliard's version was essentially a recreation of the St. Louis 1981 production, which visited the Edinburgh Festival two years later.

Frank Corsaro, its producer (and the artistic director of the Juilliard Opera Center) has long been Delius's American champion, responsible also for the US premières of *Koanga* (Washington, 1970), *A Village Romeo and Juliet* (Washington, 1972, and then taken up by the City Opera for three seasons) and *Margot la Rouge* (St. Louis, 1983).

His Delius productions, collaborations with the designer Ronald Chase, were all executed behind a gauze, with a continuous show of movies, photographs and paintings projected upon it while the actors appeared in pools of light behind. This is a form of operatic presentation (we have had a Corsaro-Chase *Tote Stadt* and *Doktor Faust* in the same mode) that proves undramatic. Although a gauze may be acoustically transparent, it always seems to put a damper on things, and it certainly inserts a visual barrier between the singers and their audience. Moreover, the method emphasises only the dreamy, movie-music aspect of Delius's scores.

The composer specified five "pauses", of from three to five minutes, to indicate the passing of time between his scenes. They would be dramatically fatal; most producers ignore them; Corsaro inserted punctuation of his own in the form of "new-age" environmental tapes (the sounds of waves, winds, and birds) – one six minutes long – accompanied by more home movies of blossom and bough and by invented new actions behind the gauze.

But, as Beecham said of *Fennimore*, "The problems confronting successful production are not few in number." Corsaro faced them, and though I didn't much like his solutions, it was good to see and hear the opera again. We can blame the gauze for the fact that the young singers did not come across strongly. Christopher Keene conducted.

Le Pauvre Matelot has a grim, neat little Cocteau libretto: wife murders a stranger for his wealth so that she can give it to her beloved sailor husband, expected back after many years away; she has failed to recognise him ... Milhaud sets it "objectively", to tuneful chanties handled in his wrong-note and polytonal way. It is a clever, piquantly disturbing work.

Esther de Carpentras, a comedy, is closer to his Provençal and Jewish roots. The Pope's nephew, a blithe young Cardinal, has been banished to Provence in disgrace because in Rome he had an affair with a Jewish girl. He devises a way to regain favour: when the Jews of Carpentras celebrate Purim with an enactment of Esther, he takes over the role of Ahasuerus himself and offers the company a choice between baptism and banishment. But when the beautiful young actress playing Esther falls into his arms...

The score includes chromatic chant, Provençal mirth in the manner of Bizet's *L'Arlésienne*, cabaret song, opéra-comique *couplets* and a C-major fugue. Milhaud was a bewilderingly uneven composer. As the *Record Guide* puts it, his style "varies from a dry gravity to a vulgar nonchalance", but "if his taste is uncertain, his music is hardly ever dull."

For 30 years he was important on the American scene. Nearly a quarter of his works (which run to Opus 464) had their first performances here. No big celebration is billed – not even, in Columbus year, a professional *Christophe Colombe*; not even a *Création du monde* at the Philharmonic. But L'Opéra Français is a stylish enterprise, with the exceptionally gifted young Canadian conductor Yves Abel at its helm. I've enjoyed his Gluck, Grétry and Bizet. In Milhaud he was equally alert and stylish.

Andrew Porter

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ ATHENS

Concert Hall 20.30 Electra cycle: Ralf Weikert conducts Richard Strauss' opera, with Hildegard Behrens, Nadine Secunde and Eva Randova. Fri: first of a series of performances by Taganka Theatre of Moscow (722 5511)

■ BERLIN

THEATRE

Theatertreffen: Berlin's annual German-language drama festival is in full swing this week, with Sean O'Casey's one-acter The End of the Beginning at the Deutsches Theater in a production from Vienna (tonight, tomorrow and Wed, East Berlin 2871 225). Samuel Beckett's Endgame at the Freie Volksbühne in a production from Bochum (tonight and tomorrow, West Berlin 8813 742). Ruth Berghaus' Hamburg production of Brecht's Jungle of Cities at the Schiller Theater (Fri and Sat, West Berlin 3126 505), and Luc Bondy's Schaubühne production of Botho Strauss' Schlusschor (Thurs, Fri and Sat, West Berlin 890023).

MUSIC

Schauspielhaus 20.00 Yuri Simonov conducts the Berlin Symphony Orchestra in Strauss' Don Juan, Vieuxtemps's Fifth Violin Concerto (Isabelle van Keulen) and Franck's D minor Symphony, repeated tomorrow. Fri: Berlin Radio Orchestra plays Mahler's Fifth (East Berlin 2090 2156)

Philharmonie 20.00 Frans Brüggen conducts the Berlin Radio Symphony Orchestra in works by Bach, Mozart and Schumann. Tomorrow and Wed: Leonard Slatkin conducts Berlin Philharmonic. Thurs: Pinchas Zukerman. Sat evening and Sun morning: Claudio Abbado and Martha Argerich with the BPO (West Berlin 2548 8232)

Deutsche Oper 19.30 L'Italiana in Algeri, also Wed. Tomorrow: Andreas Schmidt sings Lieder. Thurs and Fri: Christopher Bruce and Lindsay Kemp ballets. Sat: Béjart's Ring Round the Ring. Sun: Das Rheingold (West Berlin 3410 249)

Staatsoper unter den Linden 19.00 John Cranko's ballet The Taming of the Shrew. Wed: Tosca. Thurs: Der Rosenkavalier. Fri: L'Africaine. Sun: Tannhäuser (East Berlin 2004 762)

■ LONDON

Covent Garden 19.00 Daniele Gatti conducts Andrei Serban's WNO production of I Puritani, revived by Jonathan Eaton. The cast includes Dmitri Hvorostovsky, June Anderson and Giuseppe Sabbatini, also Wed and Sat. Tomorrow and Thurs: La bohème. Fri: Salome (071-240 1066)

Coliseum 19.30 Martin André conducts Julia Hollander's staging of John Buller's new Euripides opera The Bacchae, also Thurs. Tomorrow and Fri: Madama Butterfly. Wed and Sat: Monteverdi's Ulysses (071-836 3161)

Royal Festival Hall 19.45 Ivan Fischer conducts Orchestra and Choir of the Age of Enlightenment in a Bach programme. Wed: Yan Pascal Tortelier conducts the Philharmonia. Thurs: Elgar's The Kingdom. Sun: Sviatoslav Richter (071-928 8800)

■ MILAN

Teatro alla Scala 20.00 Myung-Whun Chung conducts the Orchestra of La Scala in Sibelius' Violin Concerto (Shlomo Mintz) and Dvorak's Eighth Symphony. Tomorrow: Lucia di Lammermoor. Thurs: recital by Placido Domingo. Fri, Sat, Sun at Teatro Lirico: contemporary Italian choreographies (7200 3744)

■ MUNICH

DANCE

This week's programme at the Staatsoper is devoted to ballet. Tonight: dance gala with guest artists including Patrick Dupond, Vladimir Malakov, Kiki Lammersen, Christina McDermott, Anna Villadolid and the Ballet du Grand Théâtre, Geneva. Tomorrow: Minkus' Don Quichotte. Wed: Cranko's Onegin. Fri, Sat, Sun: Pina Bausch Dance Theatre from Wuppertal (221316)

MUSIC

Shura Cherkassky gives a piano recital tonight in the Herkulessaal der Residenz (346620). Tomorrow: Borodin Quartet. Wed: Alban Berg Quartet (983898). Fri: piano recital by Dmitry Bashkirov (641 2924). Fri at Gasteig: Lorin Maazel conducts the Pittsburgh Symphony Orchestra in Mahler's Sixth Symphony (983898)

MUNICH BIENNALE

This week's events include two world premieres: an opera by Peter Lieberson, based on Alexandra David Neel's The Superhuman Life of Gesar of Ling (Wed and Thurs), and Wolfgang Rihm's new piano concerto (Thurs). Tonight and tomorrow: One Fell Swoop, new opera by Gerhard Stäbler, based on a 19th century Gothic drama (festival box office: 48098 360)

THEATRE

Singer, a play by British dramatist Peter Flannery, opens tomorrow at the Residenztheater (225754). The Kammerspiele repertory includes plays by Botho Strauss (Kalldewey, Farce and Schlusschor) and a Samuel Beckett evening (2372 1328). An English-language production of Jesus Christ Superstar, the musical by Andrew Lloyd Webber and Tim Rice, is showing daily except Mon at the Deutsches Theater (5144 360)

● A selection of theatre and concert tickets is available at Konzertkasse Beck on the fourth floor of the Beck department store at Marienplatz 11

■ ROME

Teatro dell'Opera 20.30 Valery Gergiev conducts concert performance of Khovanshchina, with orchestra, chorus and soloists of Kirov Opera. Tomorrow, Thurs, Sat: Raina Kabaivanska in The Merry Widow. Wed, Fri, Sun at Teatro Valle: Aida (488 3641)

■ VIENNA

MUSIC

Musikverein 19.30 Song recital by Cheryl Studer, accompanied by Irwin Gage. Tomorrow: Hermann Prey. Wed: Pinchas Zukerman. Fri and Sat: Muti conducts Philadelphia Orchestra. Sun: Orpheus Chamber Orchestra (505 8190)

Konzerthaus 19.30 Samuel Ramey sings opera arias with the Slovak Philharmonic Orchestra conducted by Guido Ajmone-Marsan. Tomorrow and Wed: Alban Berg Quartet. Fri: Grace Bumbry. Sun morning: Rafael Frühbeck de Burgos conducts Vienna Symphony Orchestra (712 1211)

Kammeroper 20.00 New production of Shostakovich's The Nose. Runs till June 13, next performance on Sat (513 6072)

Staatsoper 19.30 La traviata. Tomorrow and Sun: Don Carlo with Domingo. Wed and Fri: Queen of Spades. Thurs: Entführung. Sat: Fidelio (51444 2960)

THEATRE

The Vienna Festival (credit card bookings 586 1676, information 58830) has Fernando Arrabal's wordless pantomime Guernica, staged by Vienna's Serapionstheater at the Remise auditorium (daily till Fri), plus a zarzuela production in French and Spanish at Ronacher (daily till Sun except tomorrow) and Katharina Thalbach's Berlin adaptation of Shakespeare's Macbeth at the Messepalast (Thurs, Fri, Sat). The repertory at the Burgtheater and Akademietheater (51444 2218) includes a new work by Tankred Dorst and plays by Brecht and Feydeau.

■ ZURICH

MUSIC

Opernhaus 20.30 Recital by Ruggero Raimondi. Tomorrow: Il barbiere di Siviglia with Ann Murray and Thomas Hampson. Wed: Semiramide. Thurs: ballets by Bernd Roger Bienert. Fri: L'Italiana in Algeri. Sat: Rigoletto. Sun: Guglielmo Tell (262 0909)

Tonhalle 19.30 Viola recital by Tabea Zimmermann, accompanied by Hartmut Höll. (261 1600). Wed: Fabio Luisi conducts the Tonhalle Orchestra (201 1580)

THEATRE

The Schauspielhaus has a new production of The Memorandum, Vaclav Havel's 1965 satire on bureaucracy and career opportunism (opens tomorrow). The repertory also includes Gogol's The Government Inspector, Dürrenmatt's The Physicists and Lillian Hellman's The Autumn Garden (221 2283)

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MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Monday May 18 1992

Unemployment revisited

MASS UNEMPLOYMENT is a scar across the face of the developed world. It results from a wound repeatedly inflicted by decades of neglect during which the skills, education and opportunities of a significant minority within almost every industrialised country have atrophied. But the wound has not properly healed; as with all open and ugly wounds, the risks of infection are great.

The Organisation for Economic Co-operation and Development, whose ministers meet today to discuss the subject, has recognised the threat to social cohesion and stability from persistently high joblessness and the associated rise in poverty and crime.

Yet it is questionable whether the developed countries have in recent years satisfactorily diagnosed this growing problem, let alone devised a cure. The prominence that the OECD gives to measures of unemployment based on people who are both out of work *and* actively seeking work has predisposed it towards US models for dealing with unemployment, even though America has had fewer prime-age men in jobs than in any other important OECD country in the last 20 years.

The purist economist may be content to know that the US does not have armies of job-hungry unemployed workers searching inefficiently for jobs; but the average US citizen would probably be more interested to know what the people who are neither employed nor unemployed are doing. The fact that so many American men have no jobs, and that large numbers of them are instead turning to illegal sources of income, is what matters for policy.

Technological advances

Once identified, the disease is not easily cured. Over the past two decades the demand for unskilled labour has declined across the OECD, in the face of technological advances and fierce competition from the developing world. The real wages at which companies would be prepared to employ the unskilled and the uneducated have plummeted.

In the US, where the minimum wage is low and unemployment benefits are sparse, this has meant a fall in actual wages too. For many US men, though not for women, the alternative sources of income available outside the system mean that the available jobs are just not worthwhile. European governments have intervened more actively to prevent wages from falling, but the underlying economic forces are the same. Companies do not want to hire at these real wages and slow employment growth and open unemployment has been the result.

Small government

The OECD's support for restricted unemployment benefits, deregulated labour markets and small government are all part of its taste for the American approach. On economic efficiency grounds this may be right, though the US record on productivity growth does not make the case. But there is no reason to believe that cutting the benefits and wages of European men would make them more willing to take low paying jobs than US men.

Sweden is the only high employment and low unemployment country in the western developed world; but it has not solved the problem, merely concealed it a greater expense than electorates elsewhere have been willing to pay. The OECD has, in fact, advised Sweden to cut the size of its public sector, while praising Sweden's programmes of "active" measures to help the unemployed to re-train and find jobs. Yet Sweden has found jobs for the potential unemployed in the public sector, at wages the private sector would not be willing to pay and at a cost that the Swedish electorate is now unwilling to meet.

Effective policy is bound, to some extent, to be an amalgam of all these approaches. But even under a policy which combined Swedish willingness to provide the unemployed and the young with marketable skills through better education and training with an American emphasis upon creating jobs in the private sector, an uncomfortably large number of people will remain chronically without work. In developed economies, this group will always attract subsidy, either through the benefits system or some other means. It is better in principle to subsidise people to work and to gain marketable skills, whether in the public or private sector, than to provide incentives for them to seek illegal alternatives to work.

Development and the environment

THE WORLD Development Report from the World Bank has a stark message: poverty is increasing. Among its symptoms are the rising number of people drinking contaminated water or huddled in smoke-filled rooms, and the deaths attributable to water-borne disease and land over-use.

The report proposes urgent policies to deal with these problems, starting in many cases with better education for women, whom the bank sees playing a crucial role in reducing the numbers of people born into poverty.

However the timing of today's report, less than three weeks before the opening of the Earth Summit in Rio, as well as its title "Development and the Environment" are a reminder of how the debate about poverty and its remedies has shifted in recent years. The two issues, once quite separate, have become closely interwoven.

As it happens, many of the Third World countries' most serious environmental problems of land degradation, growing deserts and deforestation can be traced directly to their primitive level of development: the state of their economies gives the people no choice but to destroy their natural endowments to survive. As a result they slip into a downward spiral in which they waste ever more resources as they get poorer.

Useful focus

The World Bank's report thus provides a useful focus on a major aspect of the environmental debate at a time when the developed world's mind is too easily fixed on more fashionable pollution issues, such as greenhouse gases and the ozone layer.

As the report remarks, "for the 1bn people in developing countries who do not have access to clean water or the 1.7bn who lack access to sanitation, these are the most important environmental problems of all." Again, in the second half of the 1980s 1.3bn people living in urban areas were threatened by respiratory disorders caused by airborne particles. Similarly, soil depletion may be causing annual income losses in some countries equal, says the Bank, to 0.5-1.5 per cent of gross domestic product.

These are serious environmental problems. Fortunately, their solution does not require a global compact; it requires, first, more development and, second, that those responsible for economic expansion are forced to take account of the environmental consequences of their actions. Those who doubt whether policies that improve economic efficiency will also improve the environment need look only at the polluted landscapes of eastern Europe and the former Soviet Union, which are a monument to distorted energy prices and industrial protection. By contrast, industrial countries have solved most of the problems that worry the developing countries. For poor countries, development is the heart of the solution.

International co-operation

It is not so everywhere, above all not for the main international environmental issues, on which the Rio conference should focus: global warming and protection of biodiversity. Here economic development is the problem, not the solution. The answer rests in international co-operation. But developing countries feel, quite understandably, that they are expected to pay for solutions to problems they did not cause.

It is important the Rio Summit not be side-tracked into a long and probably futile argument about backwardness and aid. This would inflame the north-south confrontation, which has already obstructed many of the preparatory meetings and scuppered some of the agreements which should have been signed at Rio.

None the less, the Rio agenda cannot avoid questions of equity. What is at stake is the right to exploit such globally scarce resources as an atmosphere low in carbon dioxide. The World Development Report shows that the total output of carbon dioxide from fossil fuel consumption and cement manufacture in the industrial countries is far greater than in developing countries. If the rich want the threat of global warming removed they will have to bear the cost, because it is they who are benefiting most from what is causing the danger. That is the heart of the matter. It cannot be evaded.

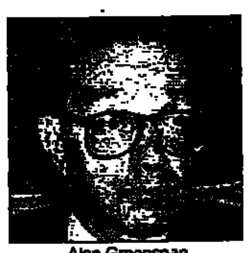
ECONOMIC VIEWPOINT

Base rate policy — suck it and see

By Samuel Brittan

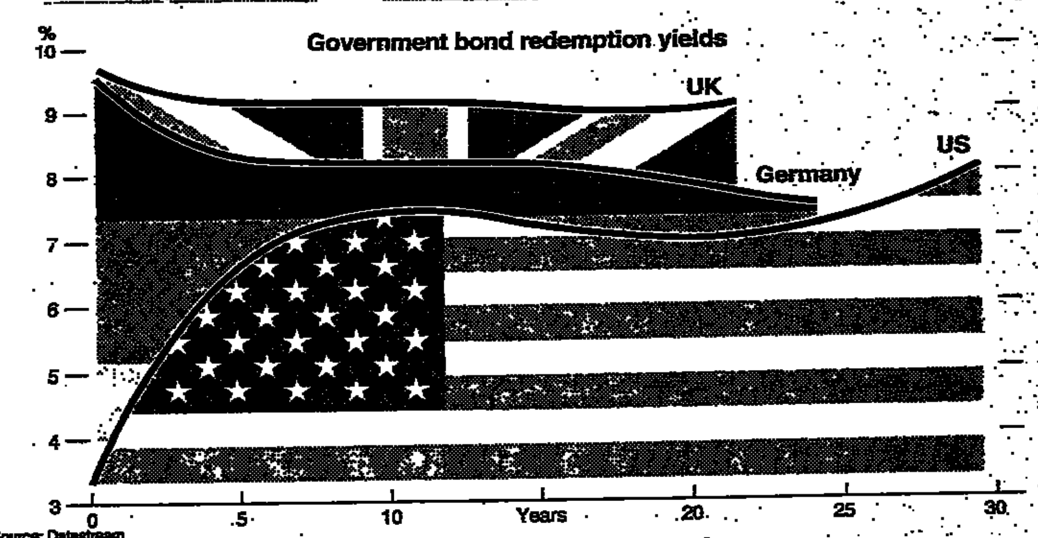
Long-term interest rates not so different

Robin Leigh-Pemberton
Bank of England governor



Alan Greenspan
Fed chairman

Helmut Schlesinger
Bundesbank president



Source: Datastream

Does the shock of German unification not only jeopardise further progress towards monetary union but put in jeopardy the progress already made in the ERM? The main worry that market-inclined economists have had about fixed exchange rates or a single currency is the loss of a useful safety valve in the face of what they call "real shocks". In fact, there have been hardly any such shocks confined to a single member country, and the shock of German unification is the first clear-cut example.

The problem as usually stated is that because the German government has not financed more of the costs of unification from taxation, the Bundesbank has had to double interest rates in the past three or four years to contain inflation. This has led to a level of real interest rates supposedly quite unsuitable for other EC members.

What then are the alternative courses for countries saddled with a high German-induced level of real interest rates? I shall talk about the alternatives facing the UK, but much of the discussion applies to France and others.

1) Leave the ERM and surprise the financial markets. The advocates of this course are mostly those who never wanted to join in the first place – with the addition of a few fainthearts and weathercocks.

2) Stay in the ERM, and devalue. This is put forward as a less provocative alternative. But it is not in fact available. Of course a realignment would be technically possible – but UK interest rates would be higher, not lower, afterwards. For the risk premium over German interest rates – now almost eliminated – would widen out again.

3) Yet another course would be to make more use of small realignments. A problem with taking this route now is that it is not even clear in which direction any realignment should go. If the expected trend were for the D-Mark to rise, other countries would need to have still higher interest rates than they have today. Such a shift would only be helpful if Germany failed so badly to contain the inflationary effects of unification that the D-Mark was expected to fall against other currencies. This would be over the dead body of the Bundesbank.

So much for the backward-looking choices. For those who accept the progress made towards fixed exchange rates, there are other courses.

4) The simplest is to grit our teeth and bear it for as long as it takes until German interest rates pass their peak and the Bundesbank decides that they can safely come down. We simply do not know whether present British real interest rates are compatible with recovery or not. During the long upswing of the mid-1980s real base rates (adjusted by the RPI excluding mortgage interest) hovered around 5 per cent to 7 per cent, compared with 4 per cent to 4½ per cent now.

5) Make much more use of the room for manoeuvre provided by the margins around the central parity. This course has been made less likely by the decision of the Treasury and Bank of England to let the return of confidence after the election take sterling up to near its central DM2.95 parity. But the chance may return; and there is still some room before the upper end of the band is reached.

International movements of funds are of course influenced by interest rate differentials combined with expected exchange rate changes. Anatole Kaletsky of The Times has provided a useful chart showing that if sterling were at DM2.885, the lower boundary of the narrow band, and were expected to reach the central parity in a year's time, base rates could be just above 7 per cent instead of 10 per cent. On the more extreme assumption that sterling went to the bottom of the existing wide band against the D-Mark, base rates could fall to below 4 per cent.

Gavyn Davies of Goldman Sachs has poured cold water on this analysis by saying that currencies which are low in their band against the D-Mark are seen in the market as a devaluation risk, and that the interest rate premium then has to be higher, not lower.

The government and Bank should be much less fearful of making interest rate cuts they may have to reverse

Market sentiment could change. But in any case making use of the margins can only buy time. For once sterling has risen to its central point or its upper limit, depending on how policy operates, there would be nothing more to go for by holders of the pound. To maintain base rates below Germany's for any length of time, markets would have to see at least a possibility of an upward realignment of sterling.

5) A more ambitious variant would be for sterling or the French franc to try to take over the anchor role from the D-Mark. Advocates of wrenching the anchor from Germany vary in their sincerity. Some Europhobes are obviously thinking: "Take advantage of Germany's weakness to set interest rates below German ones now; and having regained the habit of setting our own interest rates, leave the ERM when the time is ripe. But not say anything to John Major about it at the moment, if you want to stay a junior minister."

Questions of sincerity apart, becoming an anchor is not entirely a bed of roses – the Bundesbank never wanted that role for the D-Mark. But the way to achieve it, if desired, is through tighter rather than looser monetary policies than are currently expected. In other words, keep real interest rates high in the hope of killing inflation and reduce nominal interest rates later.

A little cold water needs to be thrown on the idea that British inflation rates have fallen behind Germany's. We must allow for the distorting effects of German VAT increases and the timing of British mortgage rate cuts. If we do so the underlying German increase in consumer prices is 3½ per cent to 4 per cent, comfortably below the British underlying rate of 5½ per cent.

Fortunately the range of choice is not in practice as bewilderingly large as the number of theoretical courses. If we leave aside the catastrophist options of devaluation or leaving the ERM, all the others point in the same operational direction. That is to say, stay in the ERM at the present parity, but make as much use as possible domestically of the room for manoeuvre provided both by the margins and the new post-election credibility of the British government.

To succeed in this course there are two policy requirements. The

The German economy may become less and less a model but may still provide us with the good of low inflation

first is to keep the 6 per cent margin for as long as possible, which means until the formal start of Stage Two in 1994. The British government's original reason for wanting to move to narrower margins earlier – to reduce the downside risk on sterling – in now obsolete. Second, the government and the Bank of the England should be much less fearful, with the election out of the way, of making interest rate cuts they may have to reverse.

Interest rates are a price. Like all prices they need to move in both directions without loss of prestige. The only way to find out whether British interest rates can indeed move below German ones is to suck it and see at a time when there is a domestic case for going lower. The French government did not get away with such a manoeuvre last year, but the British government might in 1992. If moving interest rates by ¼ per cent at a time would help two-way movement, so be it.

The root of many of the problems supposed to surround the ERM – and it is the theme of Europhobic economic utterances – is that Germany will need much higher real interest rates than the rest of the world for the foreseeable future, and it is thus a folly for us to link our currencies to the D-Mark.

This begs the question of how Germany can maintain much higher real interest rates than, for instance, the US in a world of free capital movements? There is only one way: for the dollar to undershoot so far against the D-Mark that a correction is expected. That is, the market must expect the dollar to rise and the D-Mark to fall. In that way a lower return on American financial assets would be offset by an expected dollar appreciation.

Something of this kind is indeed consistent with the pattern of short-term interest rates and forward quotations. But if you look at, say, 10-year bonds, you find a completely different picture. American yields are only just over ½ a per cent below German yields, thus suggesting a long-term expectation of convergence of nominal interest rates in the two countries.

If the market is anywhere near right then the present high level of German short-term interest rates is an aberration and/or US interest rates are abnormally low; and in any case the two will converge over the next few years.

How does this observation fit in with German difficulties over unification? No problem, once you strip away the veil of money and look at underlying realities. Capital is internationally mobile. Its price, to which real interest rates are an approximation, tends to equality in advanced market economies.

The less mobile factor of production is labour. Because of the addition of the east German working population which did not bring with it a corresponding increase in the amount of usable capital or know-how, German real wages need to fall. More precisely, unskilled wages need to fall and parity between east and west German wages needs to be postponed until the next century; while wages of key workers with the skills required for reconstruction in the east should rise. Such changes are difficult to implement in an economy with powerful unions and national pay deals.

But the resulting tensions will not necessarily produce more inflation, apart from the present hiccup. The strain is more likely to be taken by unemployment, open or hidden. Once this begins to damp down wage push – and this always happens – German interest rates will come down to a more acceptable level. Thus the German economy may become less and less a model for the rest of Europe, but may still provide it with the public good of low inflation.

It would not be surprising if German enthusiasm both for political union and the single currency cooled further. During this period the task will be to hold together the ERM and to build up the European Monetary Institute which will try to co-ordinate European monetary policies during Stage Two of the move to monetary union.

Maladies at the heart of the body politic

Jurek Martin keeps a doctor's appointment

A political doctor responds to a patient's questions.

Q: Doctor, where are we now on the American presidential election?

A: Where we are is that George Bush will be the Republican nominee, Bill Clinton the Democratic nominee and Ross Perot will probably run as an independent. That is the only safe clinical observation to make. Previous diagnoses suggesting an internal eruption of the Democratic party emanating from the capital of New York state or outer space may now be discarded.

Does this competition imply health in the body politic?

The body politic is not healthy. How could it be with trillions of dollars' debt, $400bn of deficits, the second-largest city in flames, and the great Red corpuscle threat now into convertible roubles?

Is President Bush himself as healthy as he was after his operation in the desert last year?

Obviously not; the domestic climate does not suit him and the global warming of the cold war takes him out of his element. His planned trip to Rio de Janeiro next month should carry a severe health warning and his cure in the economic waters of Munich in July offers no panacea. The president is suffering from a severe case of political dyslexia, unable to translate what he reads and thinks into action, or possibly vice versa. I am not saying it is terminal but the prognosis must be very guarded. I recommend external electric shock treatment, say an invasion of Peru, which would have the double dose of saving democracy and bashing a Japanese (President Fujimori) in one fell stroke.

What do the White House physicians say?

They speak with many tongues, which is part of the problem. Doctors Quayle and Fitzwater keep reminding him to stay with the course of conservative prescriptions which worked well for him in the 1980s. Dr Kemp wants a more radical approach and now has him visiting clinics in most cities in the country. Drs Baker and Cheney, experts in tropical medicine, seem to have been taken off the case.

What about Governor Clinton? I thought his case was terminal.

He is still not well. All the early spring maladies are still coursing around his system. He has a good mind and a strong constitution, which primary micro-surgery has improved, but he could easily catch another severe bout of the ague. Republican researchers, specialists in Horton's disease, are confident they can unearth further viral complications, but it is not clear if these will be fatal.

Mr Perot seems pretty vigorous these days. Is this attributable to the Texas air?

Possibly. His health owes much to not living in Washington which is notoriously claustrophobic (the politico-medical term is *Beltway Bursitis* which afflicts the body's moving parts when decisions have to be taken). Normally, phenomena like Mr Perot are ephemeral, particularly if, as in his case, close investigation, using the latest media probes, reveals skeletons (Nixon and North) rattling round inside. But his ability to buy the best medical care available, regardless of the cost, could bring a degree of longer-lasting immunity, as could his refusal to answer questions about the specific nature of his complaints.

Is there a universal medicine which could help all of them?

A very difficult question; what is needed is a cure for disaffectitis. Classically the best results can be achieved through an accommodating media, without which it is impossible to understand what the candidates are saying or complaining about. However, all diagnosis in this medium must last no longer than 10 seconds, unless it be about the Northern Spotted Owl, which is not running for anything except possibly from chainsaws.

Picking up from that, would you say that politicians themselves are an endangered species?

Well, they certainly must be very careful these days. The body of Congress is losing healthy members by the dozen – some to talk show programmes where they think they have more influence.

What about amendments to the constitution? They have been useful in the past, haven't they?

Sometimes; certainly it was thought prohibition would make the body politic less paralytic. Just last week the states ratified a 200-year-old amendment stopping Congress giving itself pay raises and Congress itself is about to pass an amendment prohibiting the federal government from spending more than it takes in. However, money, like alcohol, is a narcotic from which there is no easy withdrawal, which explains why I am charging you $500 an hour for this consultation, claimable, of course, on your medical insurance policy.

I had better stop then. What is your prognosis for this election?

A political doctor, when not spinning, can only stick to the facts. The only medical certainty this year is that all three presidential candidates will be left-handed. This is unprecedented. Can you wonder the country is disturbed?

Moves to draw up a post-apartheid constitution in South Africa have stalled over the question of veto powers, says **Patti Waldmeir**

A damaging fall at the highest fence of reform

"A blackboard is useless without white chalk." Crudely put by Mr Amichand Rajbansi, leader of the Indian National People's Party in South Africa – that is the bald truth of South African life which rose up like a spectre to shock the participants at last weekend's constitutional talks.

For after five months of halting progress within the multi-party negotiating forum known as the Convention for a Democratic South Africa (Codesa), the country's political leaders fell at the last and highest fence: the share of white political power in the new black nation.

By the time Codesa's two-day plenary session had ended on Saturday, they had picked themselves up, dusted each other off, and declared the conference a success. Mr Nelson Mandela, president of the African National Congress (ANC), the main black leader at the talks, praised the "remarkable job" done by Codesa and portrayed the 200-odd delegates as members of a happy multi-racial family. Mr F.W. de Klerk, the President and leader of the ruling National Party, congratulated the gathering for transforming crisis to success.

But away from the conference hall – where communal lunches and cocktail parties have bred a spirit of inter-racial bonhomie which would make Mr Hendrik Verwoerd, architect of apartheid, turn in his grave – the message was blunt, and negative. "Despite all the hard preparatory work put in, nothing concrete has emerged. The negotiation process has stalled. It is urgently necessary to revive it," said the Patriotic Front, the ANC-led bloc which includes other anti-apartheid groups.

Senior officials from both the Patriotic Front and the Government camp (which includes some black homeland leaders, the Zulu Inkatha Freedom Party and leaders of the discredited Indian and Coloured parties in the current parliament) made clear that the gap between them remains large. The issue is whether whites and other minorities should be allowed to exercise a veto over the writing of the new constitution, and whether minorities should be further protected by a federal constitution which devolves much power to regional and local level.

The National Party position is that South Africa's fragmented society – rendered so by apartheid – cannot be governed except by consensus. "No majority should ever be able to misuse its power to undermine the constitution or to dominate minorities," Mr de Klerk vowed.

Nelson Mandela (above), President de Klerk and foreign minister Pik Botha; two days of talks left them far apart

Toward that end, the National Party demanded a 75 per cent majority of delegates pass the most contentious clauses of a new constitution: the bill of rights and, crucially, the clause setting out the powers of regional and local governments which may be minority-dominated. Other clauses would be passed by a 70 per cent majority. But the Nationalists also demanded the creation of a senate under a final constitution, which would give disproportionately large representation to minorities. These proposals are designed to allow the National Party, in alliance with other ethnic minority parties, to veto majority decisions.

The ANC proposed a two-thirds majority (which it assumes would be too high to allow a National Party veto). It offered to accept a 70 per cent majority (with 75 per cent to approve the bill of rights), but then insisted that a popular referendum be called if that majority could not be achieved.

The dispute has now been referred back to a committee representing the 19 Codesa parties. They have been given three weeks to solve it, and it is difficult to see how they will do so. For while the gap appears small in percentage points, the final figure will determine whether blacks have the power to write what is essentially a majority-rule constitution, or whether whites and other minorities can entrench minority protections.

De facto or de jure, whites will have a veto over the new South Africa. "There's a white veto right now," points out Mr Frederik van Zyl Slabbert, a political commentator. "It lies in the army, in the economy, in the capacity of capital to flee the country." The battle now is over whether it is entrenched in a constitution.

Neither side has so far demonstrated the political will to overcome this obstacle. This is not brinksmanship, but a fundamental dispute over who wields power. For while Mr de Klerk closed the conference by urging the need for "compromising on basics", it soon became apparent that this advice was aimed solely at the ANC. Both sides seem to think that the other is in a hurry to settle: outsiders find it difficult to reach the same conclusion.

The National Party, especially, seems content to sit tight. Despite multiplying revelations of security force murders of political activists and government corruption scandals Mr de Klerk appears confident and in no rush to relinquish power. His negotiating team has been plagued by illness: one senior minister is on sick leave due to exhaustion, another resigned after a nervous collapse. But Mr de Klerk seems calm and collected.

ANC negotiators, trained in the trade union movement, are bearing up well so far. But they have yet to feel the ire of their constituents, anxious to benefit from the spoils of power. Their expectations cannot be frustrated forever.

Nobody would disagree that South Africa pays a high price for delay. Mr Mandela pleaded the case for speed: "The question that faces us all is – how long can we, who claim to be the leaders of our people, sit here, spin out complicated formulae and enjoy the applause while the country sinks deeper into crisis?"

He concluded with a veiled threat of mass insurrection: "Let none of us make the mistake of thinking that the people will do nothing to change their condition. Not only do the masses have the right, they have the duty to engage in struggle to change their condition, change any government or leader they see as acting against their common good."

The Congress of South African Trade Unions (Cosatu), the largest union federation with over 1m members, has said it will stage a general strike next month unless a multi-racial interim government is installed by then. This is no idle threat: last November, Cosatu led a 2-day strike which paralysed the economy.

Despite this threat, Codesa failed to remove obstacles to the early installation of a multi-racial interim government. Because of its failure, multi-party control of the security forces, crucial to contain the violence which has left 11,000 people dead since 1984, has been postponed. Remaining economic sanctions, which would largely have been lifted on installation of an interim government, will stay in place. US commercial banks will not lend to Pretoria, several US companies believed to be interested in investment will hold off, and lending from the World Bank and IMF remains a distant prospect.

And while Codesa searches for a political solution, the economy remains in a three-year recession, millions are jobless, homeless and hungry. Codesa's negotiators ignore these pressures at their peril. For if they follow the advice which doomed the rest of Africa – the dictat from Mr Kwame Nkrumah, Ghana's first independence ruler, "seek ye first the political kingdom" – they may achieve political power only to regret it.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Restructure of private health care overdue

From Mr Peter M Reeves.

Sir, Your article on the soaring cost of healthcare ("Losing patience with private medicine", May 11) covers the actions of insurers and corporate customers but leaves aside consideration of the overdue need for a fundamental restructuring of the private sector. At least two areas merit review.

Private hospitals continue to rely upon consultants who are both part-time and effectively self-employed in the sector, having no contractual relationship with any hospital.

This leads to obvious inefficiencies and perpetuates consultants' ability to charge many times more than they accept from the NHS for identical work.

This state of affairs may well have been reasonable when the private sector was small and subject to political vulnerability but can no longer be so justified. Hospitals should take consultants on to their payroll.

The second area is the standard mode of reimbursement to hospitals by the medical insurers – which continues to relate mainly to the in-patient "per diem" mentality and hence rewards longevity of occupation of the hospital bed.

A change to some form of pre-determined price for a full episode of treatment – incorporating the consultants' costs – would encourage the more rapid embracing of short-stay technologies by creating the incentive for hospitals to seek efficiency gains more readily.

Changes in both areas would lead to gains for the patient/customer not only from the resultant direct efficiencies but also through increased transparency, and hence comparability, of medical charging practices – currently a perplexing subject indeed.

Although the measures covered in your article will help abate the increases in healthcare insurance premiums, substantial inroads into the underlying cost structure await a radical restructuring of the sort now common in most industrial sectors – and, ironically, in the NHS – but from which the private health sector has been curiously immune.

Peter M Reeves,
"The Brambles",
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West Sussex BN43 6BL

Engineering firms in the south-east not complacent over pay

From Mr Tim Scott.

Sir, Your article "Earnings rise continues" (May 15) suggests the manufacturing sector shows "complacency over its pay-setting arrangements".

With a membership of over 700 engineering companies in the south-east, the Engineering Employers London Association represents an important part of the manufacturing sector. In recent times, pay settlements have been some two percentage points below the average rise in earnings, and EELA has recorded a 12-month moving average of 4.02 per cent as of April 1992, well below the quoted earnings rise of 8.25 per cent in manufacturing. Wage drift has been minimal.

Significantly, EELA has recorded that pay deferments and pay freezes still constitute over 20 per cent of all settlements, and, taking this into account, the average settlement during April 1992 was 2.95 per cent, also well below the quoted floor of 4 per cent.

I suggest engineering in the south-east is well aware of the ERM constraints imposed. More importantly, the ability to award higher-than-inflation pay increases is limited by pressure on profit margins as material prices continue to rise faster than output prices.

Caution has enabled many companies to gain a competitive edge both in export markets and in the UK. Encouragingly, EELA's quarterly business activity survey for the first quarter of 1992, with additional forecasts, shows the first signs of recovery.

Tim Scott,
economics adviser,
Engineering Employers London Association,
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No tax on language

From Geri Stillit.

Sir, David J Brown (Letters, May 14) points out that employees are taxed on the cost of language lessons provided by an employer.

Our experience is different. We have taught many thousands of people to speak a language. These are mostly directors and senior executives of major companies and institutions. As far as we are aware, not one such person has been assessed by the Inland Revenue for any benefit in kind.

Geri Stillit,
Stillitron,
72 New Bond Street,
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Not third

From Mr James C MacLeod.

Sir, John Willman's article on local government ("Lifting the lid on a Pandora's box", May 14) was most interesting. However, I would like to draw attention to one point.

He refers to the Conservative party's "third position in Scottish politics". In the recent general election the Conservatives won the second largest number of seats in Scotland and also took the second largest share of the vote in Scotland. That was also the case in the 1987 general election.

The Conservative party is therefore clearly in second place in Scottish politics.

James MacLeod,
14 Boclair Crescent,
Bearsden,
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Backing for civil servants as non-executive directors

From Mr David McDonald,

Sir Mr Elyan's understanding of non-executive directorships (Letters, May 15) is regrettably limited. The government encourages its senior staff to take non-executive directorships with major companies. We need productive interchange of ideas and experience. It is essential for senior civil servants to understand the needs of business and the context in which it works, just as business needs an insight into workings of government.

Each appointment is carefully vetted to ensure that there are not conflicts between the company and the civil servant's official duties. None of the officials in this department who is a non-executive director receives a fee. Where a fee is paid it passes via this department to the exchequer.

David McDonald,
director of information,
Department of the Environment,
2 Marsham Street, London SW1

From Mr Peter M Brown.

Sir, Many will profoundly disagree with David Elyan's view. Such private/public company links are usually beneficial. I would cite the Civil Aviation Authority, a nationalised service, with a board dominated by private sector non-executives as an excellent quid pro quo.

I suspect this civil servant's fees will be paid to her principal employer. A recent survey for Pro Ned of non-executive fees showed: kept in full (47 per cent), paid to employer (30 per cent), salary offset (6 per cent) – with a significant increase in those paid to the principal employer when they had been directly or indirectly instrumental in the individual's non-executive appointment.

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OBSERVER

Governorship flutters

■ Place your bets, please, on the next Governor of the Bank of England. Ladbrokes has already opened a book on who will replace Robin Leigh-Pemberton who will step down a year or so from now.

Alas it's hard to imagine a duller set of probables. So in the hope of making it a sporting contest, Observer suggests a wager on a few outsiders.

One leading question is whether Premier Major will dare to break tradition. Hitherto, with one or two exceptions, the governor has been chosen from one of the City's patrician merchant banks.

If the prime minister really is intent on shaking up Britain's class-ridden society, the governorship would make an ideal start. This time John Major could demonstrate that the City's old boy net is no longer the key to the succession. Why can't an academic, an industrialist, or a politician, for example, be thought up to husbanding the Old Lady?

Admittedly, the current governor was a rather daring choice. Whereas Labour cabinets have played safe and often appointed career central bankers as governor, Margaret Thatcher's selection of Leigh-Pemberton was seen as an overtly political move. However, the choice was equally unusual in that it also broke the unwritten law that commercial bankers were not even made Bank of England directors, let alone the governor.

Yankees

■ Americans don't have the same sort of bang-ups about choosing their chairmen of the Federal Reserve. Indeed it is hard to imagine the circumstances in which a Rockefeller, or the boss of J P Morgan or Goldman Sachs, for example, would be regarded as in the running to head the US central bank.

Americans are worried by concentrations of financial fire-power and bend over backwards to avoid conflicts of interest. Hence professional bankers, like the UK's Sir David Scholey, are ruled out.

Instead, Fed chairmen tend to come from a much wider background. They know their way around Washington, and have often made their name as academics.

William McChesney Martin, by far the longest serving Fed chairman, first made his mark as head of the New York Stock Exchange. Arthur Burns was president of the Council of Economic Advisers before Nixon tapped him for the Fed. Paul Volcker worked at Chase Manhattan before moving into the US Treasury. Today's chairman Alan Greenspan is another economist who headed the CEA.

Even so, the system of choosing Fed chairmen is far from foolproof. Jimmy Carter, for instance, made a mistake when he picked Bill Miller, the chief executive of Textron. Miller only lasted 17 months and was shunted over to be US treasury secretary in 1979 after he failed to stop US inflation taking off.

Solid odds

■ Then again, while the Germans and French are even less daring than the Brits in picking central bankers, they haven't done too badly. Jacques de Larosière, ex-boss of the IMF and now Governor of the Banque de France, is an old finance ministry hand as are his two predecessors, Michel Camdessus and Renaud de la Genière.

Similarly, there have been only five presidents of the Bundesbank and they have generally worked their way up through the system. The present incumbent Helmut Schlesinger is a central bank veteran whose 40 years' service began when the institution even had a different name. Likewise, Otmar Emminger had been vice-president throughout Karl Klasen's term.

Hans Tietmeyer, who arrived in 1990 from the finance ministry, may eventually get the top job. But those who tipped him to succeed Karl Otto Pöhl last time underestimated the length of apprenticeship required at the Bundesbank. Even Karl Klasen, a Deutsche Bank veteran, had also done a stint as president of the Hamburg regional central bank.

"It's friendly fire"

Dead cert

■ By contrast, there is never any debate about where the next Governor of the Bank of Japan will come from. The governorship alternates between an internal BoJ appointee and a man from the ministry of finance. Current holder Yasushi Mieno is a BoJ man and, even though he is highly regarded, there is no likelihood of his grooming one of his underlings as his successor.

Tradition dictates that it is the finance ministry's turn for the job, and already the runners are mustering. An international reputation counts far less than an administrative background and appropriate seniority.

Accordingly, the next boss of the BoJ is likely to be one of: Yoshiro Yoshino, 61, president of the People's Finance Corporation, an MoF quango; Akira Nishigaki, 62, president of the Overseas Economic Co-operation Fund; and Sadaaki Hirasawa, 60, a special adviser to an MoF think-tank.

True, it isn't an inspired way of choosing a central bank chief. But one can't quibble about the BoJ's house-keeping.

Our selection

■ So who should the UK premier pick? The experience of other countries shows there's nothing to be lost by playing safe. The Treasury favours Eddie George, the current deputy governor. Sir David Walker has his fanciers. Conventional City wisdom is that Warburg's Sir David Scholey would be ideal.

But surely Major ought to look more widely. In the US, someone like the London School of Economics' Professor Charles Goodhart might be a contender. Then again how about an industrialist like Courtaulds' Sir Christopher Hogg?. Not only is he a Bank director but, as chairman of Reuters, he knows a thing or two about financial markets.

Observer's tip, however, is Bruce Pattullo. One of Britain's best bankers, he's a leading light at the Bank of Wales besides being Governor of the Bank of Scotland.

At 25-1 against, Ladbrokes' current odds for him might well be worth taking.

FINANCIAL TIMES
Monday May 18 1992

Pressure starts to tell on Gadaffi

Julian Ozanne finds the Libyan leader seeking a way to end UN sanctions

LIBYA'S tug-of-war with the United Nations over the fate of two Libyans charged with organising the 1988 bombing of a Pan Am airliner over Lockerbie in Scotland has left its mark on Colonel Muammer Gadaffi.

The Libyan leader, looking more like a defeated boxer than the passionate revolutionary, told the Financial Times at the weekend that he expected UN sanctions against Libya to be lifted following the regime's "categorical" renunciation of international terrorism and acceptance of a UN resolution.

He spoke inside a Bedouin-style canvas tent covered with Persian carpets at a farm 10km outside Tripoli. Outside the tent ostriches, camels and antelope grazed on irrigated grassland.

Female bodyguards with holstered pistols strapped to their belts lay on the ground in front of a huge mobile home glistening in the afternoon sunshine.

A lone anti-aircraft gun, mounted on the back of a Toyota landcruiser, was visible in the distance across a field criss-crossed with power and telephone cables.

The Libyan leader said both men accused of organising the bombing were ready to stand trial anywhere in the world but that they feared they would not get a fair trial.

Col Gadaffi: "you cannot spread ideals by force"

Preparing what western diplomats in Tripoli believe is a face-saving way out of the stalemate between Libya and the UN, Col Gadaffi said: "This is not my personal problem or the problem of the Libyan state. It is a problem which concerns the two men and their lawyers."

He said that Libya's acceptance of UN resolution 731 to cut all links with terrorist groups and invite UN monitors to confirm that his regime was no longer training terrorists meant that "anyone who has ever been involved in terrorism should be thrown out of Libya.

"There is no justification for a confrontation between Libya and the US and Britain and no justification for sanctions because the Libyan people are not guilty," he said.

He said the two Libyan suspects' confidence in American and British justice had been shaken by the verdict in the Los Angeles police officers' case and the recent reversal in Britain of Ms Judith Ward's conviction for terrorism, which he described as a "historical scandal".

Col Gadaffi, dressed in a dark brown jerd – a traditional Libyan lambswool blanket – draped over his shoulder, said the air sanctions imposed by the UN had caused much human suffering, particularly to those old and young people who needed to travel abroad for medical treatment. He said he feared that forthcoming US presidential elections, which he compared to a fabled beast which needs to be offered sacrifices every four years, would influence how the west acts towards Libya.

Throughout the interview Col Gadaffi spoke softly in Arabic. At times he appeared disoriented and occasionally he rested his head in his elbow.

The colonel insisted that his personal renunciation of terrorism was genuine. "You cannot spread ideals by force or they won't be ideals any more. You can only spread ideals by convincing people," he said.

He also appeared to show a new respect for the UN. "I am happy that everybody is referring to the UN to solve international disputes like the Pan Am case," he said. "It is very good to solve things by the UN instead of resorting to force."

Reflecting on his 23 years in power, the colonel said his greatest achievement had been the establishment of the peoples' authority and his green book of philosophy, blending pan-arabism, nationalism, socialism and Islam with prophecy.

The worst failure, he said, was that he had not been "able to change the world".

But, he added, "it is going to change. We only regret that we may not be here to see it, but it will change to our ideas."

THE LEX COLUMN

The value of security

Nothing ever seems to turn out right in banking. In the early 1980s bankers discovered that, despite all the theory to the contrary, sovereign borrowers could effectively default on their debts. So they must have thought they were on to a good thing by lending against the physical security of property. After Olympia & York, they are learning that this theory does not necessarily hold either. *Moreover, when a borrower is in deep trouble, a secured loan may not be worth much more than an unsecured one* – as banks whose loans to the Maxwell empire were secured against equity in MCC have also found to their cost.

That raises the question of how banks should judge the creditworthiness of their customers. The obvious answer, in an environment where asset prices are no longer rising, is to revert to the yardstick of cash-flow. What concerns a bank most is that its loan should be serviced. That a building is worth less than the money lent against it may not matter if it produces enough rental income to cover the debt.

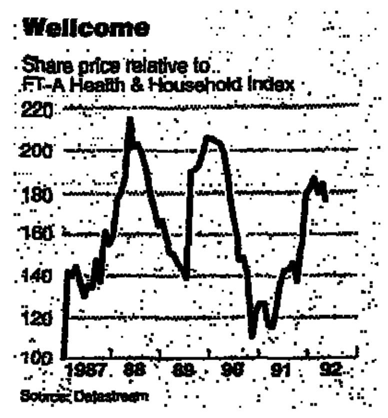
Unfortunately this criterion too is flawed. Commercial rents can fall. *They are still soft in New York despite* the efforts of the Federal Reserve to stimulate the economy by cutting interest rates. Seemingly free cash-flow can turn out to be committed elsewhere. The sad conclusion is that lending is an inherently risky business; a sadder one still is that banks seem incapable of learning to price that risk correctly. Perhaps that is why British banks have underperformed the market by 30 per cent over the past 20 years.

Groupe Suez

It was touching last Friday to hear Suez group chairman Mr Gérard Worms single out shareholder satisfaction as one of his chief priorities for the next few years. Suez, after all, has been as guilty as any French company of treating investors with disdain: useful in so far as they stump up new capital when asked, inconvenient to the extent that they demand information and an adequate financial return.

Sceptics will say that they have heard the pious promises before, but it could just be that the company now means what it says. Mr Worms is clearly conscious of the group's poor rating, and even acknowledges that its sprawling structure may be partly responsible. Under his leadership there seems a renewed and welcome commitment to financial assets – the area Suez knows best – and a determination to shake off peripheral industrial interests which came with the headlong expansion of the late 1980s. Some FFr8bn of disposals have been completed in the past 18 months, and though no target has been set there is clearly more to come. Suez is under no particular financial pressure, but is anxious to take advantage of privatisations in France when opportunities arrive.

The signs are that Acec-Union Minière, the highly cyclical non-ferrous metals subsidiary which so distorted last year's results, is getting to grips with its problems. Confusion over the insurance strategy will be ended when negotiations with UAP over Victoire's Colonia stake are finally settled.



Wellcome

As the world's investing institutions brace themselves for this summer's massive sale of Wellcome shares, they might care to ponder the accompanying chart. Relative to the UK drug sector as a whole, Wellcome has enjoyed three big surges in the past five years. The first was based on the original Aids panic, the second on clearance for Wellcome's Aids drug, Retrovir, for use in pre-Aids carriers of HIV. The third owed much to the realisation that if Retrovir was slightly disappointing, Wellcome's older anti-viral drug Zovirax was a goldmine. Given the switchback history of the shares, might it not be time for another downward leg?

Part of the answer depends on Wellcome's drugs in development. Zovirax and Retrovir between them account for nearly half of Wellcome's sales and much more than half its profit. The future of Retrovir – better known as AZT – is as cloudy as ever, but it still has a huge lead over its competitors. Wellcome has several other Aids treatments in development, all based on the same approach.

The strategy for Zovirax is largely defensive. The drug's potential against shingles and chickenpox is huge, but it loses patent protection in Europe in the mid-1990s and in the US in 1997. Wellcome has a new compound known as 256U, related to Zovirax but allegedly more effective, which should be cleared in time to take its place. Meanwhile, it is pushing Zovirax as a non-prescription cream against cold sores.

It also has drugs on the way against conditions as diverse as strokes, depression, arthritis and migraine. A couple of new drugs against epilepsy and cancer are thought particularly promising. Nevertheless, the company could remain heavily dependent on anti-viral drugs for the rest of the decade.

But there is a separate question. The company's history is that of a charitable institution grounded in pure science. Some of that tradition died in the run-up to flotation six years ago. Under the new marketing-oriented management, more is being jettisoned. There was never any doubt about Wellcome's ability to invent new compounds. The question is whether it can wring more commercial benefit from its scientific ethos without damaging it. If that trick is pulled off, the shares are a long-term buy wherever they may be on the switchback.

Fiat

A year ago, Fiat maintained its dividend even though its attributable profits were halved. Investors who thought that payout signalled confidence about recovery were badly mistaken. The question is what they are to make of last Friday's 30 per cent fall in Fiat's 1991 profits and the accompanying 40 per cent dividend cut.

If anything, the recovery argument is rather stronger this time, not least because Italian car demand unexpectedly rose by 4 per cent in the first quarter of this year. There is still room for doubt, in particular about the scope for losses in the tractor division. But the lower base for the dividend makes a further cut unlikely, and Fiat should avoid making an overall loss this year. Judging by the rise in its shares after the figures were announced, the market believes that Fiat is close to turning the corner. The ride could be bumpy all the same.

Bangkok demonstrators call for resignation of prime minister

Thailand declares state of emergency after riots

By Victor Mallet in Bangkok

THAILAND'S government declared a state of emergency in the capital, Bangkok, and four surrounding provinces last night in the midst of the largest and most violent anti-government demonstration since the 1970s.

Thousands of young protesters, hurling stones and bottles and demanding the resignation of Gen Suchinda Kraprayoon, the prime minister, routed police and troops who had attempted to block a march to his office at Government House in the city centre.

Street protest: pro-democracy demonstrators throw stones and bottles at police barricades

The demonstrators ignored pleas for calm from the organisers of the march, attacking police barricades, smashing police cars and setting fire engines ablaze.

Several policemen were hurt by flying glass and dozens of demonstrators injured or arrested in police baton charges.

Unconfirmed reports said that at least one person had been shot dead.

Gen Suchinda's government reacted by establishing a council of military leaders and police to enforce the state of emergency, banning gatherings of more than 10 people, closing schools for three days and preventing the media from publishing anything "detrimental to law and order".

The authorities threatened to use force if the demonstrators did not disperse. But last night they were still on the streets at 2am local time.

An official announcement on television accused Mr Chamlong Srimuang, the devout Buddhist opposition leader, of inciting the marchers and trying to lead them to the palace of the country's revered king. Mr Chamlong and other organisers of the march had, in fact, urged the crowd not to attack the security forces.

Last night's clashes followed the latest in a series of peaceful pro-democracy rallies in the aftermath of a general election in March.

Gen Suchinda, the former armed forces chief, took office at the head of a coalition of parties sympathetic to the military in spite of opposition demands that the prime minister be an elected member of parliament.

Tension had increased over the past few days when it appeared that the coalition was backtracking on a deal to push through constitutional amendments. These would have reduced the political influence of the military and reserved the premiership for an elected MP.

Middle-class residents of Bangkok have grown increasingly frustrated with continued military intervention in politics and business. There have been 16 coups in Thailand since the end of the absolute monarchy in 1932, the latest of which was arranged by Gen Suchinda last year on the grounds that the elected government was too corrupt.

Gen Suchinda and his coalition supporters, however, went on to include several of the previous ministers accused of corruption in their new government.

"We're here to fight dictatorship," Mr Chamlong told the rally of tens of thousands of people last night. "Suchinda must resign."

Hopes of deal to avert German strike fade

Continued from Page 1

round of talks, he said: "There is barely any scope left for hope."

Union leaders have let it be known, although subsequently denying it, that a deal of about 6 per cent – compared with the *public sector's 5.4 per cent* – might be acceptable. Opinion polls show that a broad majority of the public believes that a deal of about 5.4 per cent would be justified.

The fact that most public sector workers in the ÖTV union rejected their deal appears to have persuaded union leaders to *be more cautious in their stated* ambitions.

Yet all the signals are there for strike action, and many engineering employers appear resigned to the prospect.

In parallel negotiations for Germany's 1.5m construction workers, the period for arbitration has been extended from Saturday to tomorrow.

In the printing industry, where token strikes have been taking place for the past week, an arbitration panel has been summoned for May 21.

The print workers are demanding an 11 per cent award, against an offer of 3.4 per cent.

The textile workers' union has also called a meeting for today to discuss possible strike action.

Bankers pressed over cash for O&Y rail link

Continued from Page 1

move of their department to Canary Wharf.

Meanwhile, one of the leading bank creditors to Canary Wharf said: "We are keeping all our options open, including liquidation". The 11 bank lenders hope to receive financial information by mid-week which should help them to decide between four options.

The banker said these range from keeping the £3bn office development as a going concern, putting it into administration under UK insolvency procedures, putting it into receivership or liquidating it completely.

The bankers have until the end of May, when its £21m loan to Canary Wharf runs out, to make the choice. The decision will depend on whether the banks believe they can ever make a profit out of the project. If they decided the outlook was bleak, they would opt for liquidation.

The banker said he could not predict which of the four paths the banks would choose. Over the weekend all but one of the banks voted to keep it as a going concern for at least another few days, until they have received all relevant financial information.

Canary Wharf's parent company, Olympia & York Developments, has filed for protection from its creditors under Canadian and US insolvency legislation.

The banker said that if Canary Wharf is kept afloat, the banks would probably want to appoint a new manager for the project. Bankers have discussed the suitability of Sir Peter Levene, the former head of procurement at the Ministry of Defence, for the post. "He has an impressive record", the banker said.

Meanwhile, ministers said that London Regional Transport could not keep in place the £1.5m-a-month project team working on the Jubilee line extension beyond July if there was no definite go-ahead for the project.

With the Treasury adamant that it would not increase public funding for the line, the transport department would also be under pressure within the next few months to decide whether the £1.5bn in public money already committed might be better spent on other projects. So suggestions that there could be a one or two year delay to work on the Jubilee extension were impracticable.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	S	15	59	Frankfurt	S	16	61	Majorca	S	23	73	Oporto	S	26	79	Tenerife	S	25	77
				Brussels	S	14	57	Geneva	S	24	75	Malaga	S	25	77	Oslo	F	19	66	Tokyo	F	22	72
				Budapest	S	23	73	Gibraltar	S	21	70	Malta	S	26	79	Paris	S	19	66	Toronto †	F	13	55
Ajaccio	S	23	73	Buenos Aires		–	–	Glasgow	S	18	64	Manila		–	–	Prague	F	14	57	Tunis	S	27	81
Algiers	S	23	73	Cairo	S	28	82	Helsinki	S	15	59	Melbourne	S	15	59	Reykjavik	R	6	43	Valencia	S	29	84
Amsterdam	S	16	61	Cape Town	C	17	63	Hong Kong		–	–	Mexico City		–	–	Rhodes	F	20	68	Venice	S	26	79
Athens	S	21	70	Caracas		–	–	Innsbruck	F	22	72	Miami †	S	26	79	Rio de Janeiro		–	–	Vienna	S	19	66
Bahrain	S	36	97	Casablanca †	S	25	77	Inverness	S	15	59	Milan	S	29	84	Rome	S	27	81	Warsaw	F	16	61
Bangkok	F	–	–	Chicago †	F	21	70	Islamabad	F	0	0	Montreal †	F	15	59	Salzburg	C	20	68	Washington †	Dr	16	61
Barcelona	S	22	72	Cologne	S	15	59	Istanbul	F	16	61	Moscow	C	13	55	S Francisco †	F	12	54	Zurich	F	21	70
Beijing	S	26	79	Copenhagen	S	15	59	Jakarta		–	–	Munich	S	21	70	Seoul	S	18	64				
Beirut	F	22	72	Corfu	S	22	72	Johannesburg	S	20	68	Nairobi	C	22	72	Singapore	F	30	86				
Belfast	S	19	66	Dallas †	C	20	68	Lisbon	S	29	84	Naples	S	26	79	Stockholm	S	13	55				
Belgrade	S	24	75	Dublin	S	18	64	London	S	14	57	Nassau	F	–	–	Strasbourg	S	22	72				
Berlin	S	17	63	Dubrovnik		–	–	Los Angeles †	C	16	61	New Delhi		–	–	Sydney	S	20	68				
Biarritz	S	27	81	Edinburgh	S	16	61	Luxembourg	S	19	66	New York †	F	13	55	Taipei		–	–				
Bombay	S	31	88	Faro	S	27	81	Madeira	S	19	66	Nice	S	24	75	Tangier	S	28	82				
Bordeaux	S	30	86	Florence	S	29	84	Madrid	S	29	84	Nicosia	C	18	64	Tel Aviv	S	24	75				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Monday May 18 1992

INSIDE

Astra ulcer drug targets Glaxo

Astra, the Swedish pharmaceuticals group and arch-rival of Glaxo of the UK, believes it has a new therapy for peptic ulcers that could seriously undermine sales of Glaxo's Zantac, the world's best-selling drug generating annual revenues of $3bn. Page 19

Kleinwort Benson eyes Dresdner-BNP link

Kleinwort Benson, the UK merchant banking group, is poised to reactivate negotiations with Banque Nationale de Paris and Dresdner Bank about joining their international alliance. This follows news that Dresdner, Germany's second biggest bank, and BNP, France's number two bank, passed a milestone last week in separate talks to form an international alliance. Page 18

Landmarks in battle for space

Arianespace, the successful European satellite launch company, faces increasing competition as it celebrates two symbolic achievements today: its 50th launch and its 100th contract. Page 19

Mixed signals on US rate cut

The Federal Reserve's policy-making Open Market Committee meets tomorrow (Tuesday) to consider the state of the US credit markets, with Wall Street divided over the likelihood of an early cut in short-term interest rates. Page 20

New berth for tugboat company

A 150-year-old Brazilian tugboat company is setting sail for the sunny climes of Bermuda. Ocean Wilsons (Holdings), a UK-listed company linked to the business empire of the late Sir Walter Salomon, is planning a change in domicile to the offshore financial centre, citing tax and regulatory advantages. Page 18

Biotechnology groups to float

Celltech and British Biotechnology, the two largest UK-based biotechnology companies, are planning to float on the stock market within the next two years. The companies are losing money heavily and need new funds to bring promising new products to market. Page 18

Gardini back in business

Entrepreneur turned yachtsman Mr Raul Gardini is returning to the Italian corporate scene with the launch of a new food group. The ex-president of Ferruzzi Finanziaria, is teaming up with the former European chief of Quaker Oats, Mr Giulio Malgara. Page 19

Market Statistics

Companies in this issue

Toyota plans record $1bn bond issue

By Richard Waters in London

TOYOTA, the Japanese motor manufacturer, plans to raise $1bn in the biggest-ever offer by a company in the international bond market.

The transaction, expected this week, marks the most prominent step by a major Japanese company to refinance its part in the 1980s equity warrant boom.

As Japanese share prices soared in the last part of the decade, companies like Toyota were able to raise money at virtually no cost by issuing bonds with warrants. These warrants, giving the holder the right to buy a companies' shares at a set price in the future, were stripped from the bonds and traded separately.

Toyota issued $800m of warrant bonds which carried an interest rate of just 1¼ per cent a year.

In theory, the cash from selling Toyota shares to the warrant holders would repay the bondholders. In practice, the warrants will not be exercised, since the company's shares have fallen below the price at which the warrants can be exercised.

In all, $36bn of warrants and convertible bonds issued by Japanese companies come up for repayment this year, with a further $83.9bn due next year. The collapse of Japanese share prices means most will have to be refinanced, a fact expected to cause congestion in some capital markets, particularly the domestic Japanese corporate bond market.

Toyota is unusual in having a top triple-A credit rating and an internationally recognised name which together make it possible to contemplate such a big money-raising exercise in the international market, or Euromarket. However, the size of the issue is likely to force it to pay more for the cash than for a typical Euromarket bond issue.

"There won't be many Japanese companies which can refinance warrants in the dollar market like this," said one banker with a close knowledge of the Toyota transaction. The rest of the $1bn will meet research and development costs.

The Euromarket faces a glut of dollar bond issues. Last week Canada's province of Ontario, one of the international bond market's most active borrowers, said it planned "global" bond issues with an offer of more than $1bn of bonds. These allow borrowers to issue bonds simultaneously in the main domestic centres, creating a single large issue.

The year-end accounts reveal the full misery of Japan's securities industry, writes **Robert Thomson**

Fresh blows rain on to Tokyo's brokers

The stirrings of recovery in Tokyo share prices in the past month had prompted some securities houses to believe the worst of the market collapse was over and the time had come for investors to "accumulate".

But the confidence-building lasted only until Friday, when the Nikkei stock average dived, 12 of the country's 14 leading brokers announced losses for the financial year ended March, and the market talk was of which houses would be most vulnerable in the tough year ahead.

The accounts revealed the full misery of the Japanese securities industry and, in particular, the fragility of some second-tier brokers, whose once ambitious plans for expansion have been replaced by survival strategies.

In the first of what may be a succession of rescues, Yamatane Securities confirmed on Friday it would be assisted by Sakura Bank, formerly Mitsui Taiyo Kobe Bank. But the bank is unwilling to embrace the troubled broker until former executives leave the board.

Yamatane and other brokers are in trouble because the Nikkei average fell 26.4 per cent during the past financial year, while daily trading value last calendar year was Y435.4bn ($3.35bn), down from Y716.7bn in 1990 and Y1,308bn in 1989, when the market's surge peaked.

At the same time, individual investors lost faith after a series of scandals, including the compensation of large corporate clients for trading losses, dealings with gangster groups, and the shuffling of stocks from one client account to another to avoid booking losses.

The costs of slump and scandal were unevenly distributed, with Nomura Securities, the largest house, showing its strength, and two of the other Big Four brokers, Daiwa Securities and Nikko Securities, weakened but able to report pre-tax profits for the year.

Yamaichi Securities, the remaining member of the quartet, is less healthy, reporting a large loss on its stock dealings, Y36.9bn, and a pre-tax loss of Y36.5bn, after a profit of Y67.6bn in the previous year.

Another important measure of brokers' health is provided by a Ministry of Finance capital-to-assets ratio, which takes into account unrealised gains on securities holdings, asset quality and operating expenses, and sets thresholds for government intervention. Warning lights are activated when the ratio passes below 200 per cent, while brokers with 150 per cent or less are forbidden from opening new branches, and the ministry is supposed to begin daily monitoring of a broker at 120 per cent.

The Big Four reported falls in their capital ratios, with Nomura down from 615 per cent to 580 per cent over the year, and uncomfortably large declines at Daiwa, down from 360 per cent to to 288 per cent, and Yamaichi, from 357 per cent to 302 per cent.

But the most troubling falls were in the second tier, where Sanyo Securities, which had visions of itself as a big-league broker, was down from 256.8 per cent to 141.1 per cent. Not surprisingly, Sanyo said on Friday that three overseas offices, Madrid, Milan and Toronto, would be closed over the next month.

Two other brokers fell below 200 per cent. Cosmo Securities was down from 257 per cent to 182 per cent, and Yamatane Securities plunged from 422.1 per cent to 183.3 per cent. Dai-Ichi Securities, at 202.2 per cent, was just above the line, as was Kankaku Securities at 212 per cent.

Ms Alicia Ogawa, at S.G. Warburg Securities (Japan), said capital ratios were under pressure because the brokers were cutting costs, but "their income is falling even faster". She says a typical second-tier company requires a daily turnover of at least 600m shares to ensure profits – last year the Tokyo average was 373m shares, down from 877m in 1989.

Commission income fell at all leading houses, with the larger houses more active than the medium-sized in the public and corporate bond market. At Yamaichi, for example, underwriting of bonds rose 12 per cent; while commission revenue at the bond division fell 15 per cent, compared with a 40 per cent fall in stock commission revenue and a 22 per cent fall in investment trust commissions.

Net losses on securities dealings were reported at six of the 14 largest brokers. Four houses lost on bond dealings, but biggest losses, as expected, were on stock trading accounts. Top of the ladder was Yamaichi which lost Y36.9bn, followed by Daiwa with Y19.4bn and Kankaku with Y11.8bn. The largest loss on bond trading was reported by New Japan Securities – Y11.4bn.

Operating expenses were cut by all 14 brokers, with the largest decline at Dai-Ichi Securities (23 per cent), Yamatane (18 per cent), Nomura (16 per cent), and Okasan Securities (16 per cent). But, at Nomura, for instance, the biggest cut was in interest expenses (down 54 per cent), and not in selling and administrative costs (down 11 per cent). At Sanyo, the latter expenses were down only 6 per cent, and at Kankaku they actually rose by 1 per cent.

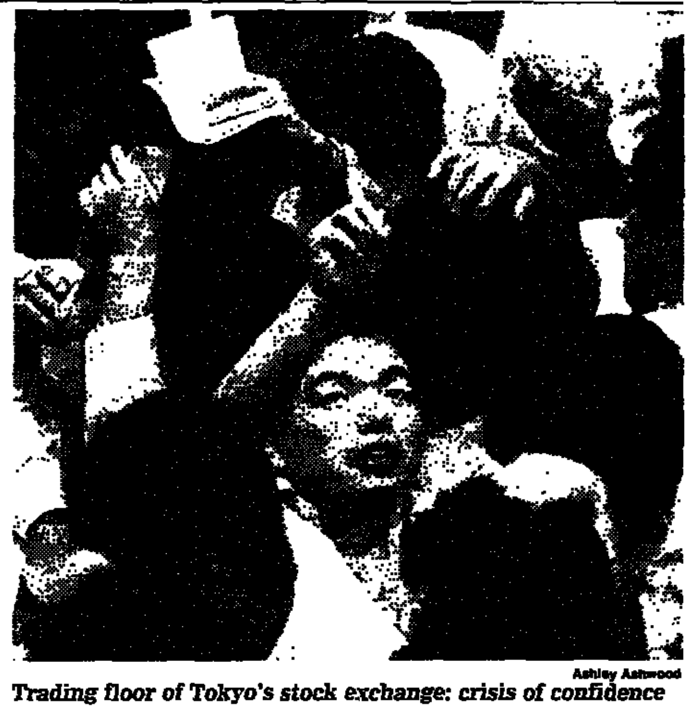
However, Japanese brokers are still confident that trimming expenses will tide them over until the market climbs again.

That optimism is reflected in Nomura forecasts of a 36 per cent increase in pre-tax profit this year on a 2 per cent rise in operating income. Yamaichi expects its Y36.5bn loss to become a Y30bn profit on a bullish 21 per cent lift in operating income. Nikko and Daiwa aim at 3 to 4 per cent gains in operating income.

But, as Friday's fall in the Nikkei showed, the market is still delicate, and in the current year, already weakened companies may have to do more than revise ambitious profit forecasts and make superficial cuts in costs.

Capital-to-assets ratios for Japanese brokers

	End fiscal 1991 (%)	End fiscal 1990 (%)
Nomura Securities	579.8	615.1
Daiwa Securities	288.0	360.0
Nikko Securities	340.2	376.2
Yamaichi Securities	302.0	357.0
Second-tier		
New Japan Securities	228.0	223.0
Sanyo Securities	141.4	256.8
Kankaku Securities	212.0	240.0
Wako Securities	270.9	333.5
Kokusai Securities	268.0	358.0
Okasan Securities	220.0	237.0
Cosmo Securities	182.0	257.0
Tokyo Securities	414.0	399.0
Yamatane Securities	183.3	422.1
Dai-Ichi Securities	202.2	260.9


Ashley Ashwood
Trading floor of Tokyo's stock exchange: crisis of confidence

HK Bank plans to sweeten offer for Midland

By Robert Peston in London

HONGKONG and Shanghai Banking Corporation is working on plans to improve the terms of its takeover offer for Midland Bank by providing Midland's shareholders with cash rather than bonds.

It is understood HSBC is at an advanced stage of talks with leading US investment banks which would involve those banks buying the new bonds and then placing them with their investment clients. The funds raised could then be distributed to Midland's shareholders, many of whom have complained to Hongkong Bank that they want cash in place of the bonds.

Hongkong Bank's bid terms are one new share and 100p of new bonds for each Midland share. If the bid goes through, it would issue £703m ($1.24bn) of the new bonds. Although Midland shareholders do not want the bonds, US investment banks believe investment institutions on the Continent and the US would buy them.

Meanwhile, it emerged that Hongkong Bank has formulated a "nuclear option" to prevent Midland being bought by Lloyds Bank, which also says it wants to buy the UK clearing bank.

If Mr William Purves, Hongkong Bank's chairman, became convinced Midland's shareholders were prepared to sit out a Monopolies and Mergers Commission investigation of Lloyds' proposed takeover before deciding whether to accept his bid or Lloyds' terms, he could announce that Hongkong Bank would never sell its 15 per cent stake in Midland.

Lloyds would then never be able to buy more than 90 per cent of Midland's shares and would not achieve complete integration of its operations with Midland. It needs at least 90 per cent to meld the two businesses completely.

In those circumstances, Mr Purves believes Midland's shareholders would be under intense pressure to back his takeover, bankers with a close knowledge of his intentions say.

The next 10 days will be crucial to the battle for Midland between Hongkong Bank and Lloyds. Mr Michael Heseltine, president of the Board of Trade, is expected to follow the advice of the Office of Fair Trading that the Lloyds bid should be referred to the MMC, but not that of Hongkong Bank.

The OECD reaches a crossroads

Economics Notebook

By Peter Norman

For the next couple of days, a nondescript office building in Paris's fashionable 16th *arrondissement* will become a mecca for finance, trade and foreign ministers from the world's 24 leading industrial countries.

The event – the annual ministerial meeting of the Organisation for Economic Co-operation and Development – is an established staging post on the way to the world economic summit of the Group of Seven nations which takes place this year in Munich from July 6 to July 8.

As always, the ministers will have a full agenda, embracing issues from rising unemployment in the OECD area, through world growth or the lack of it, the failure to complete the Uruguay Round of trade liberalisation talks, to how best to help the ex-communist states of the former Soviet Union and eastern Europe integrate with the industrial world's market economies.

But it would be a pity if they did not this year stop to think about the future of the organisation hosting the meeting.

The OECD is at a crossroads. It is not a global body like the International Monetary Fund and World Bank which have most of the developing and former communist countries among their members. It has no cash to disburse in return for good economic behaviour. It is also difficult to escape the conclusion that its members are taking it less seriously.

Mr Nicholas Brady, US treasury secretary, and Mrs Carla Hills, US special trade representative, decided at short notice not to attend this year's ministerial meeting. Mr Don Mazankowski, the Canadian finance minister, cancelled his attendance last Friday.

Britain, too, is adopting a low-key approach to this week's talks, unlike last year when three cabinet ministers attended. Mr Michael Portillo, the new chief secretary to the treasury, will deputise for Mr Norman Lamont, the chancellor of the exchequer and be accompanied by junior ministers.

And yet countries other than the 24 members of the club are clamouring to join or be associated with the OECD. The collapse of communism and the adoption by more countries of market-based economic systems and democratic government have meant many nations either have, or aspire to have, the style of life characteristic of the industrialised and pluralist societies of the OECD during its 30 years.

These countries seeks expertise. The OECD plays a unique role in the exchange and dissemination of knowledge. Its secretariat provides non-partisan analysis on a growing number of issues, ranging from macro-economics to trade, the environment, health and the impact of technological change on society.

Perhaps more important, it is one of the few places where officials of member countries can exchange views without the risk of committing themselves or their governments in negotiations.

These two facets of the organisation's activities mean it can act as a clearing house for ideas. In OECD committees, away from the public eye, some of the more stupid national preoccupations that would otherwise snag international negotiations can be discussed and amended or allowed to die a natural death.

But how should the OECD respond to requests for co-operation and even membership from interested countries in east Asia, eastern Europe, Latin America and the former Soviet Union? With 24 members from Europe, North America and the Pacific rim, it is already unwieldy. The budgetary constraints of its member governments have also ensured it does not have the cash for grandiose projects.

Mr Jean-Claude Paye, secretary general, has responded cautiously to the sudden popularity with non-members. He sees three concentric circles around the nucleus of member countries.

- an inner circle of countries which take part in the work of OECD committees. These would include Mexico, which sits in the steel committee, South Korea, a member of the working party on shipbuilding, and Hungary, Czechoslovakia and Poland, the "partners in transition".
- fast-developing countries such as the Asian "tigers". Dialogue between the OECD and countries such as Singapore, Thailand, Hong Kong and Malaysia would not take part in formal committees but through workshops or conferences.
- less developed countries. The OECD would have only limited contact with these.

Such a structure would be flexible because countries could graduate from one group to another, even to full membership. It would also recognise the growing tendency for the world to develop in regional economic groups.

Building on this idea, Mr Paye has suggested the OECD could become the main forum for dialogue between the industrialised world and other groups such as the newly industrialising Asean countries of Asia or Latin American nations moving towards greater economic co-operation. The organisation could also help relations between the European Community, North America and Japan, as the EC and the members of the planned North American Free Trade Area develop into more cohesive economic areas.

If the OECD is to develop as a meeting point between the industrialised world and other country groups it will have to know more about the countries outside its 24-nation area.

But it also faces a more serious challenge. In recent years, members have fallen behind traditionally protectionist countries such as Chile, Czechoslovakia, Poland and Mexico in the promotion of free trade and open markets. This development, if allowed to continue, bodes ill for an organisation pledged to fostering a healthy world economy based on a multilateral and non-discriminatory trading system.

Unless the organisation's members start taking these obligations under OECD convention more seriously, the OECD could become a forum for dispute among regional groups rather than the "pre-eminent forum for dialogue" that Mr Paye envisages.

EC poised to rule on capital

By David Owen and Richard Waters in London

A COMPROMISE EC directive, removing one of the City of London's most important competitive advantages, could be agreed by member states by next month.

The Capital Adequacy Directive, under discussion for four years, will set minimum levels of capital for EC securities firms. This will abolish a key advantage of UK-based securities firms, which have to carry less capital to back their business than their continental European competitors.

In a last-minute compromise, the proposed rules have been watered down to make them more palatable to underwriters in London's equity and international bond markets. The compromise is due to be put to EC economic and finance ministers tomorrow, and could be adopted before the end of June.

An earlier proposal by the commission – a ban on firms taking exposures to particular securities of more than 25 per cent of their capital – has been scrapped. The commission has opted instead for a sliding scale of additional capital requirements, which become more onerous the longer the exposure remains.

Existing underwriting practices and "bought deals", under which firms buy blocks of shares or bonds from a company before selling them on to investors, will continue. However, this will require more capital, and so become more expensive, so in the first 10 days of taking on a large exposure, firms would need three times the normal capital backing. After this, the amount of capital would rise sharply.

Kleinwort ready for talks on international alliance

By Robert Peston

KLEINWORT Benson, the UK merchant banking group, is about to reactivate negotiations with Banque Nationale de Paris and Dresdner Bank about joining their international alliance.

These negotiations are expected to begin now that Dresdner, the second biggest German bank, and BNP, France's number two bank, have passed an important milestone in their separate talks on the formation of an international alliance.

On Friday Dresdner told its shareholders that preliminary agreement had been reached with BNP on a deal which would involve the two banks taking a stake of up to 10 per cent in each other and forming a joint venture linking their international operations.

Having cleared that hurdle, they will now start negotiations with KB.

The London based merchant bank had preliminary discussions with BNP on forming a link with it a year ago, when BNP bought a 4.5 per cent stake in KB. But these talks were frozen while BNP began its detailed negotiations with Dresdner.

Bankers say that in the coming month, negotiations between KB and both Dresdner and BNP will start. Initially these talks will concentrate on whether KB can make an agreement with the two banks to co-operate on international business.

However, if there is a basis for forming a tri-partite international alliance, then Dresdner is likely to take a shareholding in KB and BNP is likely to lift its KB investment.

Some KB directors believe that BNP and Dresdner should either make an outright takeover bid to acquire 100 per cent of KB or they should restrict their shareholding to a minority stake. They are uncomfortable about the idea that BNP and Dresdner might between them control a majority stake of less than 100 per cent.

It is likely that the banks will decide in the next three months whether a deal involving all three of them is possible. KB believes that uncertainty about whether the deal will take place could be damaging to its business.

Nonetheless, the French and German banks still have to surmount an important hurdle before they can conclude their own separate alliance. They have yet to put a price on each other's shares as a basis for carrying out the share swap.

Celltech and British Biotech plan float in next two years

By Alan Cane

CELLTECH AND British Biotechnology, the two largest UK-based biotechnology companies, are both planning to float on the stock market within the next two years. Both are losing money heavily and need new funds to bring promising new products to market.

British Biotechnology, which turned over £5.2m in 1991 is likely to go for a public listing in July this year if its institutional shareholders agree at a meeting to be held on Wednesday this week.

The company is likely to be floated both in London and New York. It intends to raise about £50m, giving the company a value of around £170m. It has appointed the investment banks Kleinwort Benson in the UK and Morgan Stanley in the US as advisers.

It will be the first UK biotechnology company to go public and the first to attempt the trick job of floating simultaneously in the US and UK.

Celltech, which lost £6.58m in 1991 on a turnover of £17m is planning to float no later than 1994. It has announced a deal with the Bayer company of Germany through which Bayer will market a new Celltech drug for the treatment of septic shock. The deal could be worth £25m over several years.

Both companies need the proceeds of flotation to fund further research especially as potential products enter the stage of complex clinical trials.

British Biotechnology, which lost £7.8m in 1991, points out that it is a "development stage company that does not yet market or sell pharmaceutical products".

In the five years since its formation, however, it has put together a portfolio of potentially money-spinning products including an Aids vaccine, an anti-cancer drug, a treatment for asthma and a drug for the control of arthritis.

Ocean Wilsons sets sail for sunny Bermuda

By Philip Coggan, Personal Finance Editor

A 150-YEAR-OLD Brazilian tugboat company is setting sail for the sunny climes of Bermuda. Ocean Wilsons (Holdings), a UK listed company linked to the business empire of the late Sir Walter Salomon, is planning a change in domicile to the offshore financial centre, citing tax and regulatory advantages.

Shareholders are being asked to approve a deal in which a new holding company, Ocean Wilsons Holdings (Bermuda), will buy the current holding company in a one-for-one share swap. The London listing will be retained.

Three main factors have determined the decision to go offshore. First, the company's profits come largely from Brazil and as a result, Ocean Wilsons has developed a significant problem of unrelieved advance corporation tax. This is deducted from dividends and can only be offset against corporation tax on UK-generated profits.

Second, the company needs to deal with the regulatory regimes of both Brazil and the UK, causing a significant administrative burden. Finally, there is no withholding tax in Bermuda and this will allow the company to pay dividends gross to international investors.

The company's roots date back to 1837 when two brothers called Wilson who were transporting coal by boat were forced to take shelter in the Brazilian port of Salvador. They liked what they saw and set up an importing/exporting business in the town. In 1908, the company bought its main trading partner, the Ocean coal company in south Wales.

In the 1940s and 1950s, the company suffered two blows as first coal was nationalised and then South American debt problems forced it to start disinvesting from the region. But the Brazilian businesses attracted Sir Walter Salomon and clients of Rea Brothers, the merchant bank, made a successful bid for 51 per cent of the shares in 1958.

The businesses in Brazil currently include a fleet of 56 tugs, shipping services, property and a Mercedes dealership. Elsewhere, the company has an investment portfolio which includes several stakes in Salomon-linked companies, such as Finsbury Growth Trust (formerly Scottish Cities Investment Trust). In addition, Finsbury Trust (formerly Scottish and Mercantile) owns 23.6 per cent of Ocean Wilsons and Salomon family interests own a further 18.9 per cent.

Ocean Wilsons made pre-tax profits of £4.19m (£4.41m) in 1991 and earnings per share were 4.6p (4.85p). No final dividend is being recommended but if the deal goes through, the Bermudan company will recommend a gross payment of 2.66p, equivalent to last year's net 2p.

If shareholders approve the deal at meetings on June 10, it is hoped that the new shares will be listed on July 13.

Laporte ends relationship with Solvay

By Peter John

LAPORTE, the speciality chemicals group, will today formally end its 21-year-old relationship with Solvay of Belgium as it finally unravels its stake in Interox, the 50/50 joint venture between the two companies.

The upshot will be that the number of Laporte shares in issue will drop from 182m to 154m, and its capitalisation, on Friday's closing price of 644p, reduces by £180.3m to £991.8m.

Although it is principally an accounting exercise and the fundamental value of the company is unchanged, it is likely that Laporte's short reign in the FT-SE 100 Index will end when the index of the 100 most heavily weighted listed UK companies is reviewed towards the end of June.

It joined the Footsie at the beginning of January but financial analysts believe its share price will have to reach 740p if it is to remain.

Laporte established its £500m joint venture in 1971 to fend off a hostile bid from Burmah Castrol. The decision to end the relationship followed a divergence of interest between Laporte and Solvay.

While Laporte has shifted, over the past decade to high-value low volume products, Solvay, Belgium's largest company, has concentrated on bulk products.

NEWS DIGEST

Non-trading side lifts Alexanders

ALEXANDERS Holdings, the largest Ford main dealer in Scotland, saw its pre-tax profit rise from £207,000 to £408,000 in the six months ended March 31 1992, as it was boosted by non-trading activities.

Turnover fell to £41.7m (£43.9m) and the operating profit was lower reflecting, said Mrs Aleksandra Clayton, who heads the group, the impact of continuing and seriously depressed conditions in the motor sector affecting both volume and margin.

They were exacerbated by the disruption which accompanied the acquisition and refurbishment of the new facilities at Greenock and major refurbishment at Kirkintilloch.

Non-trading activities lifting the profit were a surplus on proceeds of life policy £342,000 and surplus on sale of property £56,000, less compensation for loss of office £90,000 which is subject to shareholder approval at the next annual meeting.

Earnings per share were 1.065p (0.381p). The directors expect to maintain the year's dividend at 1p.

Loss at Automagic in opening half

Automagic Holdings, which operates shops taking in shoe repairs and dry cleaning, stayed in the red in the half year ended January 11 1992.

The loss for 28 weeks came to £436,000. That compared with a profit of £43,000 for the comparable 37 weeks, but that was turned into a deficit of £96,000 for the 61 weeks ended June 29 1991.

Turnover in the period was £6.47m (£8.73m) which produced an operating loss of £226,000 (profit £339,000). There were exceptional charges of £55,000, of which £42,000 accounted for director's compensation and loss on sale of properties.

Losses per share reached 7.03p (earnings 0.49p).

Palma making good progress

Palma Group, manufacturer and distributor of hosiery and knitted garments, made substantial inroads into its losses in the year ended January 26 1992.

"I believe that the clearing away of our group's past problems is now nearly complete", said Mr Peter Bailey, chairman. The core business of Pex had been reorganised and refocused and management structure strengthened considerably, he explained.

Turnover in the year was £17.2m (£29.9m previous 13 months) and generated a trading profit of £453,000 (loss £436,000). With interest charges being cut to £942,000 (£1.55m) the pre-tax deficit worked through at £278,000 (£2m).

Losses per share were 1.47p (7.97p).

Eidos full-time loss soars to £385,000

Pre-tax losses at Eidos, which produces computer, video editing and allied equipment, rose from £60,600 to £385,000 in 1991.

As foreshadowed, the group did not achieve any sales but overheads were contained at a lower level than budgeted.

Losses per share increased to 17.5p (2.76p).

Barlo's stake in IRG rises to 51.4%

By Richard Lapper and Tim Coone

BARLO Group, the Irish radiator manufacturer, has now acquired majority control of IRG, a plastics packaging business with manufacturing plants in Ireland, the UK and Belgium.

Barlo announced a pre-conditional offer to acquire the capital of IRG, other than the 29.2 per cent it already held, on Thursday.

Late on Friday it said it had received acceptances for 3.19m ordinary shares representing 22.2 per cent of IRG, raising its total stake to 51.4 per cent. The all-paper bid is worth I£23.5m.

Institutional investors, holding up to 80 per cent of IRG's capital, are understood to view the deal favourably. The offer closes on June 4.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Tractebel (Belgium)	Iberdrola (Spain)	Power generation	£98m	Barrier-breaching 3%
Waco International (Australia)	Unit of GKN (UK)	Construction	£20.5m	Slimming Australian operation
Bank of Scotland (UK)	Countrywide Bank (New Zealand)	Banking	£15.8m	Surprise full bid
General Electric Capital (US)	Finanzia (Spain)	Financial services	£13m	Part of wider BBV deal
D Sullivan (US)/Legal & General Ventures (UK)	Unit of Evode (UK)	Footwear	£11.9m	Proceeds to cut debts
Low & Bonar (UK)	Koninklijke Tufton (Holland)	Floor covering	£11.1m	Cash deal
Avon Rubber (UK)/ Clevite Elastomers (US)	Avon-Clevite (JV)	Auto components	£10m	51-49 Split
Pepsico (US)/General Mills (US)	Europe (JV)	Snack foods	n/a	Merging six European operations
Church (UK)/Otsuka Shoe (Japan)/ Stock & Zenock (Japan)	Church Japan (JV)	Footwear	n/a	Majority stake for church
THL (Germany)/DFDS (Denmark)/Schier Otten (Austria)	THL Europa Alliance (JV)	Haulage	n/a	Alternative to acquisitions

Source, FT Mergers + Acquisitions International

Arianespace celebrates its quiet successes

The satellite launch group has earned a reputation for reliability, writes William Dawkins

Arianespace, the successful European satellite launch company, faces increasing competition as today it celebrates two symbolic achievements – its 50th launch and its 100th contract.

When the group was set up by a French-led consortium of private and state-owned companies 12 years ago, critics saw Arianespace as a Euro-eccentric, proposing to put satellites into orbit on expendable space rockets at a time when the US space shuttle seemed to be the space vehicle of the future.

Quickly, Arianespace confounded the doubters by *emerging as a serious competitor*, taking more than half of the $1.15bn western market for commercial satellites by the mid-1980s. The lion's share of the rest goes to three US groups: General Dynamics, McDonnell Douglas, and Martin Marietta.

The space shuttle, which stopped commercial flights after the 1986 Challenger tragedy, has grabbed the world's imagination over the past week with its dramatic satellite rescue. Ariane has made a less exciting but important name for itself as one of the most dependable commercial launchers in the world, says Mr Charles Bigot, Arianespace chairman.

THE European space industry is facing a recession during the next two years because of difficulties in its two main markets – space telecommunications and large European Space Agency programmes, writes Paul Betts.

This is the conclusion of the latest annual study of the European space industry by the Paris-based Euroconsult group.

Although industry figures for 1991 have not yet been released, first estimates indicate a slowdown in growth last year to be followed by recession this year and in 1993.

The survey says the slowdown in the telecommunications satellite business and the intensification of competition in the international market has posed a significant challenge for European satellite manufacturers.

Over the past 18 months, only two of the 27 civil telecommunications satellites ordered internationally were awarded to European prime contractors, although this was in part offset by subcontracting work on several satellites under US prime contractorship.

But telecommunication satellites are expected to remain a key market for the European industry. The report expects this market to rebound in the mid-1990s as recently launched satellite systems will have to be renewed.

European Space Industry, 1992 edition. Euroconsult, 71, Boulevard Richard Lenoir, 75011 Paris.

Now, the French-led group makes on average of seven to *eight flights a year from the* European Space Centre in French Guiana, its most recent being a twin satellite launch *for France Télécom and Inmar*sat, the international marine telecommunications organisation. Last year, its sales jumped by nearly 50 per cent to a record FFr5.87bn ($1.08bn), on which net profits rose by 14 per cent to FFr154m.

Mr Bigot is confident that the European group will be able to stick to its target of at least holding market share in the years ahead. The delays imposed on the French-supported Hermes shuttle do not affect Arianespace's commercial satellite business, he points out. With a backlog of orders for 33 launches worth FFr15bn, Arianespace has *enough work to keep it busy* for three years.

But there could be one or two bumps on the way. An important German client has just become the first company from a Arianespace member country to buy a cheaper launch elsewhere. US competition is intense, and the whole industry is anxious over the threat of being undercut by Russia's gigantic and under used space programme.

Arianespace is owned by aerospace and electronics companies from the 12 European countries that include its main customers. French state and private groups are a long way in the lead, holding a 56.5 per cent majority, reflecting Aérospatiale's *position as Ariane*space's lead contractor for rocket building and design. Germany comes second, with 18.6 per cent.

So it was that a recent decision by Deutsche Telekom, the German public telephone service, to choose McDonnell Douglas to launch its next telecommunications satellite created consternation at the French-based company.

Mr Bigot regrets the move, which he attributes to Deutsche Telekom's desire to show its independence in the wake of German telecommunications deregulation. McDonnell Douglas helped by pitching its prices low, he estimates.

"We think they should be more circumspect in the future and give preference to Ariane," says Mr Bigot. After all, he points out, the US government and its agencies give preference *to US* companies to the extent that it is almost impossible for Arianespace even to place a bid for such contracts. This matters, since satellite launches for the US administration represent two thirds of the entire western civil and government market, he says.

Competition rules have long been a source of friction between the European group and its US rivals. Arianespace's US competitors can *charge most of their launch* centres' fixed costs to the government. They only have to pay by themselves an extra percentage to cover any commercial business which they take on.

Arianespace, by contrast, simply charges government clients by the number of launches they use. Since 15 per cent of Ariane's flights are for governments, while its US rivals get 80 per cent of their orders from the US government, the European group is at a clear disadvantage.

Competition rules also need to be agreed with Russia, the inheritor of the former Soviet Union's space programme, says Mr Bigot.

Astra ulcer therapy threatens Glaxo sales

By Paul Abrahams

ASTRA, the Swedish pharmaceuticals group, believes it has developed a new therapy for peptic ulcers that could seriously undermine sales of Zantac, the world's best-selling drug, which generates annual revenues of $3bn for Glaxo of the UK.

The new treatment eradicates a bacterium, helicobacter pylori (HP), which specialists believe is a significant cause *of recurring peptic ulcers*.

By eliminating HP, Astra believes it could reduce the need for long-term preventative therapy. Glaxo estimates that 40 to 50 per cent of Zantac prescriptions are for long-term maintenance therapy.

Astra has been testing a combination of its Losec ulcer drug with an antibiotic on patients infected with HP. Two studies revealed last week at the annual convention of the American Gastroenterological Association showed that the drugs could eradicate HP in as many as 80 per cent of duodenal ulcer patients. Of these patients, all remained ulcer-free for 12 months after the treatment.

The effect of eradicating HP is not new, said Mr Robin Gilbert, pharmaceuticals analyst at James Capel. However, previous treatments to eliminate the bug required taking 18 pills a day on five separate occasions, normally within a hospital environment. The importance of the new treatment is that only one pill a day, prescribed by a general practitioner, would be needed.

"If this combination fulfils its early promise it could revolutionise the market," said Mr Gilbert. "The maintenance market could virtually disappear."

Astra claims the combination works because Losec reduces the acid content of the stomach allowing the antibiotic to work more effectively. Antibiotics able to withstand acid did not prove as effective because patients had built up resistance to them.

US lenders loom as immediate O&Y challenge

By Bernard Simon in Toronto

Among Olympia & York's most immediate challenges is to mollify lenders to its US operations.

O&Y maintains that its US business – comprising buildings mostly in New York, but also in numerous other cities around the country – is relatively healthy. These operations have been left out*side the court protection* granted to O&Y late last week under Chapter 11 of the US Bankruptcy Code and Canada's Companies Creditors Arrangements Act.

Mr Gerald Greenwald, O&Y's president, declined to say on Friday whether the company will meet interest payments on its US properties, now that a standstill is in place on debt payments in Canada.

While the company has managed to keep debt-service payments current on some US loans, it has failed to make payments on others since its liquidity crisis surfaced two months ago.

In at least one case, involving $62m in interest on a Eurobond issued to finance a building at the World Financial Centre, O&Y has funnelled rental income to its cash-starved Canadian operations. Failure to pay interest on this bond led to a cross-default on another US$160m loan, prompting J.P. Morgan to foreclose last week on an interest-rate swap held as collateral.

O&Y is due to meet this week with holders of bonds secured by 55 Water Street, an office building in lower Manhattan. The building appears to generate sufficient rental income to meet debt-service payments, and the next interest payment is due on June 30.

O&Y has taken a number of steps in recent months to deal with the handful of US buildings which are not paying their way. Mr Li Ka-shing, the Hong Kong magnate, took an equity interest last autumn in the building formerly occupied by Drexel Burnham Lambert, the failed investment bank.

In addition, O&Y says that it has deferred a US$100m refinancing due this year on 320 Park Avenue, the former ITT head office in midtown Manhattan, which is now standing virtually empty.

Gardini forms food group with Quaker executive

Mr Raul Gardini, the Italian entrepreneur turned yachtsman, is returning to the Italian corporate scene with the launch of a new food group, Reuter reports from Milan.

The ex-president of Ferruzzi Finanziaria, who said over a year ago he was turning his back on Italy, is teaming up with Mr Giulio Malgara, the former European chief of Quaker Oats.

Mr Malgara's resignation as head of the European operations of the US-based foods group was announced last week.

The new venture, to be called Garma, will have an initial capital of L200bn ($161.3m), with the majority being held by the Gardini group.

Mr Malgara was said to be considering buying Quaker's Italian oils business. Quaker had authorised negotiations on the possible sale.

Mr Gardini, whose yacht is currently competing for the America's Cup, angrily announced his divorce from Italian industry after Ferruzzi's Montedison sold its stake in chemicals joint venture Enimont to its state partner in late 1990.

He subsequently left Ferruzzi and has launched a number of ventures abroad through his French-based Ste Centrale d'Investissements (SCI).

Westar seeks court protection

By Bernard Simon

WESTAR MINING, Canada's largest coal exporter, has applied for court protection from its creditors to help deal with a crippling debt burden and a protracted labour dispute at its biggest mine.

Westar's difficulties are a sign of the turmoil in western Canada's coal industry caused by its high costs and the sharp decline in world coal prices over the past five years. Another large British Columbia mine, Quintette, recently agreed to hand a one-third equity stake to its banks in return for debt concessions.

Westar, which produces 9.5m tonnes of coal a year, has asked for court protection until September 30 under the Companies' Creditors Arrangements Act to enable it to finalise a financial restructuring.

The move came after the company missed an interest payment on its C$330m (US$277.3m) debt at the end of April, and Royal Bank of Canada demanded repayment of a C$45m loan.

Westar's Balmer mine earlier this month locked out 1,100 members of the United Mine Workers union, after they rejected company demands for a two-year wage freeze and other workplace concessions.

The company says the sacrifices are necessary partly to staunch losses, but also to ensure the viability of a proposed C$75m mining pit. The existing pit is difficult to mine and has only seven to eight years of reserves at present prices. The new pit would add 20 years to the life of the mine.

Mr Peter Dolazel, Westar's president, warned that unless a "timely" agreement is reached, the Balmer mine will be permanently closed.

Balmer exports 6m tonnes of coal a year, mainly to Japan, South Korea and Taiwan. Japanese steelmakers have a one-third equity stake in the parent company.

Westar said its Greenhills mine would continue to operate normally while it is under the protection of the courts.

France to control key Total decisions after sell-off

By Ian Davidson in Paris

THE French government intends to retain control of key strategic decisions affecting Total, the French oil group, in spite of plans to reduce its direct financial stake in the company to 5 per cent.

Mr Dominique Strauss-Kahn, industry minister, claimed that the run-down in the state's share of Total, which currently stands at nearly 32 per cent, would facilitate its relations with other foreign companies.

However, the Finance Ministry made it clear that the government would continue to exercise the right to appoint the chairman of Total, though Prime Minister Pierre Bérégovoy over the weekend expressed continuing confidence in Mr Serge Tchurk, the current chairman.

The government's determination to maintain its influence over Total was further underlined yesterday, when it announced the appointment of four new state representatives to serve on the Total board.

Mr Strauss-Kahn said that Total would continue to need government authorisation for international agreements, thus somewhat undermining his claim that Total would in future have greater freedom.

UK GILTS

Post-election rally gains fresh vigour

THE GILT market's surging post-election rally, stalled recently by concerns about rising headline inflation and the overhang of new gilt issuance, was back on the rails again by the end of last week. A batch of important data due out this week could help the market to continue to power ahead.

The April retail price index was looming large in the minds of investors in UK government bonds last week. Most had agreed that the year-on-year rate, when reported, would be well up on the 4 per cent of March – though there were differing views on just how sharp the rise would be.

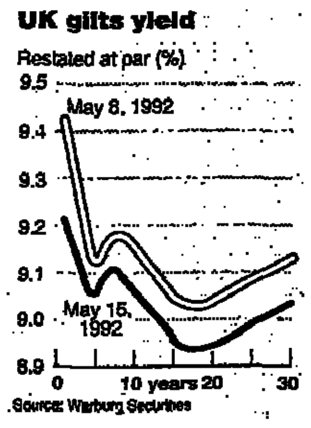
One-off factors accounted for much of the expected jump: last year's reduction in the community charge (or "poll tax") dropped out of the calculation, together with the reduction in mortgage rates last year by ¾ percentage point. Together, these two factors would add 2¼ points to the inflation rate, according to Greenwell Montagu.

In the event, year-on-year inflation came in at 4.3 per cent – close to the bottom of the range of expectations, and well below some alarmist predictions that put it close to 5 per cent.

The news set the stage for the expected announcement of £850m of "tap" stock from the Bank of England. The Bank has issued some £7bn of gilts since the general election at the beginning of April and sold perhaps another £2bn from its own book. That still leaves more than £20bn of gilts to sell before the end of the fiscal year – but the market on Friday was not letting that disturb it, and took the news of the latest tap issue confidently in its stride.

The tap stock was concentrated in the 10 to 15-year areas of the the yield curve, a maturity at which the Bank has issued little paper recently. (Its last auction, and the only one of the fiscal year to date, was its extra-long dated issue.)

The three largest tranches, each of £250m, are the 9¾ per cent Treasury stock due 2002; the 9½ per cent conversion stock due 2005; and the 9 per cent Treasury loan maturing 2008. There was also a small, £100m tranche of short-dated paper, the 9 per cent Treasury loan due 1994.



It is this end of the yield curve that has seen the best advances, and which is likely to see further gains in the days ahead. The yield curve has *already steepened marginally*, and could develop an even more marked inversion. The Bank of England has made clear that interest rate cuts are out of the question until inflation falls further. Three-month money in London spent last week hovering just above 10 per cent as a result, and is not expected to come down in the forseeable future.

Indeed, a more likely challenge is whether sterling could sustain its current firm position without a hike in interest rates, should the Bundesbank be forced to take action to raise German rates in the coming weeks.

For longer-dated gilts, economic data due this week is generally expected to remain positive. Tuesday sees the release of industrial production data for March, while Thursday brings the latest money supply statistics.

The figures are likely to show that manufacturing output fell by 0.5 percentage point in March, according to Philip Tyson, an economist at Warburg Securities. That, and soft *money supply figures*, could set the scene for further price gains.

Richard Waters

US MONEY AND CREDIT

Mixed signals cloud outlook on rate cut

THE FEDERAL Reserve's policy-making Open Market Committee meets tomorrow to consider the state of the US credit markets, with Wall Street divided over the likelihood *of an early cut in* short-term interest rates.

The Fed last eased on April 9, when it cut its target for the key Fed funds rate from 4 per cent to 3.75. Many analysts are expecting it to trim a further 25 basis points off Fed funds over the next few weeks.

Some aggressive Fed manoeuvring on Wednesday of last week briefly, but wrongly, suggested it might already have done so: the central bank chose to add reserves to the banking system, which for a time took Fed funds below the 3.75 per cent target.

The move was eventually seen to be a purely technical move, in response to wide swings in bank reserve demands, yet some traders viewed it as a possible foretaste of easing to come.

However, the indicators that might trigger a Fed easing continue to throw out very mixed signals as the economy climbs slowly away from last year's recession.

Last week produced stronger-than-expected *retail sales* for April, on top of lacklustre revised March figures, yet car sales in early May remained sluggish, at a 5.7m unit annual rate. This reinforced the view that the revival in consumer spending needed to underpin recovery was still modest.

According to the market's easing theory, the Fed will cut Fed funds one last time in this interest rate cycle to ensure that the recovery does not peter out, as it did around this time last year. Adding weight to the easing theory has been the performance in recent weeks of money supply, which dipped well below the Fed's 2.5 to 6.5 per cent target band for growth this year.

Last Thursday, however, it staged a bounce back into the target range, with M2, the monetary measure tracked most closely by the Fed, surging by $9.8bn in the week ended May 4, far ahead of the $3bn to $5bn expected.

Many analysts judged that this ruled out an immediate *Fed easing*, but Mr Ed Yardeni, of C.J. Lawrence, noted that excluding M1, the narrow money measure which tracks currency in circulation and demand deposits, M2 actually fell $700m during the week.

However, Mr Lawrence Lindsay, a Fed governor, said during the week that money supply growth had been weak in April because of seasonal factors, in particular the deadline for filing Federal income tax returns, and should start to show the "beginning of a bounce back".

All this adds up to a consensus view that the Open Market Committee will this week retain its "bias towards easing" and give Mr Alan Greenspan, the Fed chairman, the go-ahead for a further cut in Fed funds over the next few weeks if – and it remains a big if – a batch of statistics provides worrying signs of economic weakness.

Last week's statistics on inflation have given the Fed more room to ease without provoking *market fears of spiral*ling prices. The producer price index rose just 0.2 per cent in April, below the consensus forecast of 0.3 per cent, and the consumer price index rose by a similarly small amount.

This further evidence that inflation is under control, coupled with the belief that economic recovery will remain subdued, sustained the three-week rally in the bond market. The Treasury's benchmark 30-year issue ended the week $\frac{3}{32}$ higher in price, while its yield dropped eight basis points to 7.815 per cent.

The lower yields helped bring a rush of corporate bond issuers into the market, which some bears interpreted as a warning that the rally may not have much further to run.

Martin Dickson

ITALIAN BONDS

Government paper proves resilient

FOR a country without a president, prime minister or government, Italy's bond market has been surprisingly resilient, especially considering the free fall now under way in equities.

True, the bond market's much greater size and liquidity have partially masked the effect of the political upsets which have helped to send the stock market spinning. Nor have bonds suffered from the surge in cash calls which have so damaged equities this month. And while the government bond market is benefiting from a lengthy period of innovation and reform, the bourse is still at the start of that process.

However, the relatively good performance of Italian bonds at a time of acute political uncertainty has come partly at the expense of shares, as big institutional investors have sold equities to reinvest in government paper.

The shift of institutional money into government issues was reflected in the record turnover figure reported on the screen-based "primary dealers" market for government bonds earlier this month, where trading hit a new peak of L16,992bn.

The continuing appeal of government paper was also evident at last week's auctions. Seven-year fixed-rate *Buoni Poliennali del Tesoro* (BTPs), *auctioned on Friday*, enticed L11,550bn in bids from investors for just L5,000bn of paper on offer, pushing prices well above market expectations.

But the bond market has not emerged totally unscathed from Italy's current political problems. In particular, foreign investors have taken cover, with their absence being only partially replaced by greater activity among domestic institutions.

The relative strength of the bond market may also have been helped by discreet promptings from the Bank of Italy which looks to have been quietly defending longer bonds. A further indirect boost came last week, when Mr Carlo Azeglio Ciampi, the governor of the central bank, warned commercial banks to control lending growth this year.

Mr Ciampi's remarks were seen as a further sign that the central bank intended to maintain its tight monetary policy, designed to keep down inflation. But the message on loan growth may have been taken on board by some bankers well before Mr Ciampi's warning.

Underlying all the Bank of Italy's strategies has been the continuing priority of safeguarding the lira and isolating the currency as far as possible from the type of downward spiral seen on the bourse. With the lira proving remarkably insensitive to domestic political turbulence so far, it seems to have worked.

Haig Simonian

EUROPEAN BONDS

Bund's dethroning appears plausible

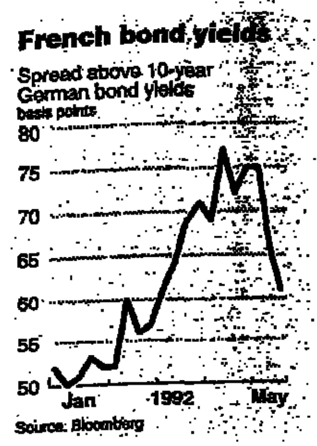
THE European bond markets last week continued to flirt with what until recently was unthinkable: the overturning of the bund as the lynch-pin of European Community markets.

The French franc's strong advance during the week was the main *factor*. From FFr3.3658 to the D-Mark on Monday, the currency strengthened to FFr3.3498 by Wednesday. Michel Sapin, the French finance minister, said the franc would have to fall well below its ERM central rate (FFr3.3539) before any rate cut could be considered.

By the end of the week, the franc had risen back above the central rate and a bout of profit-taking wiped some of the gains from French government bonds – even as the latest consumer price figures for April were released, confirming France's good inflation record with a year-on-year rise of 3.1 per cent. By the end of the week, yields on French bonds had inched still closer to their German counterparts: the 10-year yield spread had narrowed to around 60 basis points, having fallen sharply from some 75 basis points at the start of the month.

UK gilts, meanwhile, have followed a *similar* path – though both the UK and France are expected to hold back from cutting interest rates below German levels.

Events in Germany in the coming days could determine whether the bund is finally to be dethroned. The pay dispute involving the IG Metall union still seemed yesterday to be on course towards outright confrontation and a strike ballot.



By the end of the week, money supply data will begin to emerge for April. March brought M3 growth at 9.7 per cent, well outside the Bundesbank's target range of 3.5 to 5.5 per cent. April, according to many analysts, will be even worse, with M3 growth hitting as high as 10 per cent.

The market does not expect the Bundesbank council on Thursday *to raise* interest rates – if only because to do so would encourage investors to put more cash into short-term deposits, thereby pushing M3 still higher.

Richard Waters

FT/ISMA INTERNATIONAL BOND SERVICE

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price

Closing prices on May 15

ISMA stands at crossroads of a radical change

An extension of the association's TRAX system presages a shift in identity, writes **Simon London**

Munich was an appropriate venue for last week's annual meeting of the International Securities Market Association (ISMA), the trade association and self-regulatory body for the Eurobond market.

Like the Bavarian capital, ISMA is on the surface solid and prosperous; yet it faces some tough choices about its future role in Europe.

At the most superficial level the conference was uneventful, even self-satisfied. Last year was, after all, a bumper year for most Eurobond firms.

ISMA's annual accounts were approved without question, and board members were elected unopposed. Even an increase in the annual membership fee was passed almost without complaint.

However, seasoned observers of the Eurobond market noted that the conference contained the seeds of radical change. In particular, the time may be approaching when ISMA must decide whether it is an investment exchange, a regulatory body, a systems supplier or a trade association.

The catalyst for change could be TRAX, the electronic trade matching and confirmation system introduced by ISMA in 1989.

Although TRAX is now used by 260 international bond firms from London to Hong Kong, the system does not operate at anything near full capacity.

To make use of its potential, ISMA officials have proposed that the system should be extended to cover equity transactions.

ISMA is one of three suppliers – along with the London Stock Exchange and the Thompson group – chosen to supply an electronic trade confirmation system for equities to UK institutional investors.

It is a measure of ISMA's surefootedness as a systems house that it was chosen following a tender by 20 potential suppliers.

The conference was used to set out a timetable for this development. The TRAX database is already being loaded with the details of around 100,000 liquid international equities. The technical specifications for the system have been drawn up by a consultative group of banks and investment managers.

Programming work will begin this month and should be completed by the year-end. Those close to the project were adamant that the task was easily within the technological limits of TRAX.

If the deadlines are met, ISMA should have a fully operational equity trade confirmation system to offer to investment institutions by the start of next year. The marketing drive has already begun.

Whether TRAX is capable of beating either the London Stock Exchange's Seaqual system or Thompson's Oasis remains to be seen. But if TRAX were capable of winning business, there would be no reason why the system should stop there.

It is also within the limits of TRAX to carry real-time dealing prices and to meet regulatory trade reporting requirements. If institutional demand for these functions surfaced, ISMA would start to look more like an investment exchange than a trade association.

ISMA has already shown itself to have similar ambitions for bonds. In the late 1980s, it proposed that TRAX should carry "real time" trading prices for bonds, contributing to market transparency.

The proposal was roundly rejected by the association's membership. Many bond firms saw increased price transparency as a threat to profit margins which were already painfully thin.

Some within the association still regard TRAX as a Trojan horse. Even after a year of fat profits, there is no sign that opposition to TRAX as a carrier of real-time bond prices has weakened.

But it may be more difficult for the membership to object should ISMA prove able to provide investment institutions with similar exchange-style services for cross-border equities.

Extension into the international equities business is certainly seen as the way forward by many Eurobond market participants. For example, the International Primary Markets Association (IPMA), the trade association for new issue firms, has started to rewrite its rules on equity issues in recognition of the dramatic growth in the "Euro-equity" market.

ISMA has already found that its hybrid character does not fit neatly with the new European regulatory framework for securities trading being designed by European Community governments.

In particular, a number of European countries led by France have proposed that the draft Investment Services Directive (ISD) should restrict securities trading to "recognised investment exchanges".

As currently constituted ISMA would not qualify, not least because it has no formal listing or issuer reporting requirements.

Several European governments, including the UK and German authorities, with the vocal support of ISMA, object to the French proposals. As a result the draft ISD has been deadlocked for months.

However, there was informed speculation circulating in Munich last week that the Dutch government was softening its opposition to the French-led proposals.

Whether the issue is forced by European regulation or the success of TRAX, it is likely that ISMA will sooner or later have to choose a clearer identity. There are signs that it is preparing the ground. The increase in membership fee was proposed even though the association turned in a big surplus last year.

Capital and reserves are quite openly being built to meet "future challenges". The shape of these challenges became a little clearer in Munich last week.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Banco Nacional SA(g)	100	1994	2.5	10½	98.932	Citicorp Inv.Bk.	11.000
City of Stockholm(i)‡†	325	1999	7	(i)	100	SBC	-
E.I.Du Pont de Nemours†	300	1999	7	7½	101.62	SBC	7.197
Monte Dei Paschi(k)‡†	60	1994	2	(k)	100	Lehman Brothers Intl.	-
Credit Lyonnais(p)‡†	50	-	-	(p)	100	Merrill Lynch Intl.	-
Sumitomo Bk.California(h)‡†	40	2002	10	(h)	100	Sumitomo Fin. Intl.	-
Eagle 1 Ltd(m)‡†	120	1996	4	(m)	100	Daiwa Europe	-
Kubota Fin.(Neth.)†	70	1997	5	zero	72⅛	Fuji Intl.	-
STERLING							
Leeds Perm.B/S.(d)‡†	100	1997	5	(d)	101.875	Crdt.Suisse Fst.Boston	-
Friendly Hotels(j)†	14	2015	13	11⅛	99.13	NatWest Cap.Mkts.	-
ECU's							
Eurofima†	500	2007	15	8½	98.20	J.P Morgan Secs.	8.720
KFW Intl.Fin.†	125	1996	4	9	102.0	Dresdner Bank	8.391
Nippon T.& T.†	200	1997	5	8¾	101⅛	SBC	8.465
Kommuninvest†	65	1995	3	9⅝	101.08	Natwest Cap.Mkts.	9.194
IBM Intl. Fin.NV†	150	1994	2	9¼	100.975	Paribas Cap.Mkts.	8.698
OKB(n)†	100	1994	1.66	9	100.815	Lehman Brothers	8.403
Kommuninvest†	50	1999	7	9	100	Daiwa Europe	9.000
SWISS FRANCS							
Mtro.Copen.Heat.Trans.★★†	75	1997	-	7¼	101¼	UBS	6.946
ENAG(b)†	100	2003	-	7	100½	Credit Suisse	6.934
Heleba★★†	100	1996	-	7⅛	101¾	Swiss Volksbank	6.613
YEN							
Sumitomo Corp(l)†	50bn	1997	5	(l)	101.80	Daiwa Europe	5.578
Sanyo Electric Co.(e)†	20bn	1997	5.33	(e)	101.80	Yamaichi Intl.	5.589
Isetan Co†	10bn	1999	7.33	6.2	101.5	Nikko Europe	5.934
AUSTRALIAN DOLLARS							
Coca-Cola Amatil†	75	1995	3	9¼	101¾	Westpac Banking Corp	8.564
Shell Australia†	100	1997	5	9¼	101¼	Hambros Bank	8.929
D-MARKS							
Telkom SA Ltd†	120	1997	5	10	99.50	Deutsche Bank	10.132
IADB(a)†	500	2002	10	8⅛	101⅜	Deutsche Bank	7.921
Corfin A.S of Czech.★★†	25	1995	3	11½	99⅝	Daiwa Europe	11.655
FRENCH FRANCS							
Credit Local de France†	3bn	2002	10	8⅞	99.70	Paribas Cap.Mkts.	8.796
SNCF(f)	1bn	1998	5.42	zero	58.80	Crdt.Comm.de France	-
LIRE							
SBAB†	150bn	1997	5	12	101.70	IMI Lux.	11.534
KFW Intl.(o)†	100bn	1998	6	11⅝	102.55	Banca Commerciale	11.019
CANADIAN DOLLARS							
Elec.Power Dev.Corp.†	225	1997	5	8¾	101.335	IBJ Intl	8.412
Finnish Export Credit †	100	1995	3.5	8⅝	101.075	Hambros Bank	8.230
Rabobank Nederland†	125	1996	4	8½	101.40	Bankers Trust	8.077
GUILDERS							
BNP(c)†	300	1997	5	8⅜	100.55	ABN Amro	8.236
LUXEMBOURG FRANCS							
BBL Intl.NV(a)†	2bn	2004	12	zero	37.78	Cred.European	-
Dresdner Bank Intl.†	1bn	2002	10	8⅞	102⅛	BO.Intl.Lux.	8.550
Commerzbank Intl.†	1bn	2000	8	9	102.25	Credit European	8.600
Commerzbank Intl.†	1bn	2004	12	9	102	Credit European	8.725
Bq.Francaise Comm.Ext.†	1bn	2002	10	8⅞	101.5	BGL	8.654

★★Private placement. §Convertible ♦With equity warrants ‡Floating rate note. ♣Variable rate note. †Final terms. a)Fungible with existing 3bn issue. b) Callable after 9 years. c) Amount increased from Fl250m d) Coupon pays flat 6mth Libor. Option to exchange into fixed rate notes due 2/8/ 1997 at 10% e) Pays 5.05% for first short coupon period to 2/9/1992, thereafter pays 6%. Non-callable. f)1bn tranche, fungible with existing 1bn issue. Non-callable g) Coupon payable semi-annually. Non-callable. h) Coupon pays 6 month Libor plus 50bp for first 5 years then pays 6 month Libor plus 70bp. i) Coupon pays 1/16 below 3 month Libor. Callable on 15/6/1997 at par. j) Coupon payable semi-annually. Fees undisclosed. k) Coupon pays 15 bp above 6 month Libor. Coupon payable semi-annually Fees undisclosed l) Coupon pays 3 month Libor for first 3 months, then pays a fixed coupon of 6% m) Coupon pays 110bp above 6 month Libor Coupon payable semi-annually. Non-callable n) Fungible with existing Ecu 200m issue. o) Fungible with existing 200bn Lire issue p) Coupon Pays 3 Month Libor plus 85bp from 18/5/1992 to 18/8/1992, then pays 3 Month Libor plus 100bp for 7 years, then 3 month Libor plus 125bp until 9/2003, then 3 month Libor plus 200bp therafter Fully fungible with existing $450m issue Note: Yields calculated in ISMA basis.

Anthony Harris

Japan and the global crunch

READERS may well be confused to the point of indifference by the reports about Japanese financial activities. It's time to get this straightened out. As will appear, the Japanese crunch will have international effects but only indirectly on the securities markets.

The basic facts have just heaved into view, out of the murk of Japanese bank accounting practices, with the leak of a Japanese bank estimate of potential problem loans in the Japanese banking system. The problems are mainly domestic, but they are huge.

The trust banks, which tend to specialise in property lending, are naturally the hardest hit. Out of total loans of Y59,300bn (say $420bn), Y7,300bn to Y9,800bn ($50-70bn) are regarded as potentially suspect, or 12-16 per cent, in round numbers. The 11 biggest commercial banks have lent a combined Y236,900bn; non-performing loans are put in the Y13,700bn to Y18,300bn range: $85-125bn, or 5.7-6.4 per cent. These numbers have been published in Tokyo, and appear to be accurate.

What this means is that although the Japanese banks are still doing some cautious lending, the whole system is dangerously vulnerable to any further fall in property values, or any second leg of the stock market slump. The banks themselves are among those helping, not altogether successfully, to support the stock market; property, especially in such areas of wild excess as Osaka, are like those in London, a matter of tightly-crossed fingers.

In any other country, such a banking crisis might signal an immediate slump; Japan, with its enormous flow of savings at the personal and national level, is more resistant. But loans are tight, with the main effect, as here, being felt by the small company sector; and since the market rigging is widely suspected, savings have been flowing overseas. Hence the heavy buying in New York and London by Japanese insurance companies and savings institutions.

There has also been a secondary effect in foreign credit markets. Japanese banks, for so long among the most aggressive lenders, are drawing in their horns, and their loans books in some places are actually shrinking. This is only a marginal constraint in Europe (including Britain); but it will tend to hamper growth or recovery in some of their main areas of activity – notably south-east Asia, where the Japanese have been providing up to 90 per cent of foreign capital; and also California.

California is perhaps the most interesting case; for while the Asians can expect continued large flows of corporate capital from Japan, investors like Sony, Matsushita, and the major Japanese property developers have not had a happy time on the west coast. The Japanese banks now control more than a third of all business lending in California, and nearly a quarter of other commercial lending.

The current Japanese lending slowdown has been hampering any recovery from the west coast recession for some time. Post-riots, recovery has retreated far into the future. Defence cuts are making things worse. Actual liquidation by the Japanese-owned banks could cause a regional slump. This means that the Tokyo banks are not just a Japanese problem; Mr Bush is now running second to his businessman challenger Ross Perot in the region, and the White House is getting actively concerned.

This means that the US authorities have fully woken up to a fact which does not seem to disturb the happy dreams of the bulls and regulators on this side of the Atlantic: the fact that in a global market, troubles in the main source of capital must effect everyone. In most countries Japanese debt deflation, provided that the system as a whole is preserved, is just one more factor assuring that any recovery will be slow; but in some regions, it is a much more pressing menace, and one which will effect more distant regions through trade. It is little good comforting ourselves with the thought that the leak is not at our end of the boat.

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	May 15	May 14	May 13	May 12	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3353.09	3368.88	3391.98	3385.12	3397.58 (11/5)	3172.41 (2/1)	3397.58 (11/5/92)	41.22 (2/7/32)
Home Bonds	99.96	99.83	99.93	99.82	99.96 (15/5)	98.41 (20/3)	99.96 (15/5/92)	54.99 (1/10/81)
Transport	1374.07	1376.49	1405.27	1406.92	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	212.01	212.63	213.95	213.42	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

Day's High 3380.31 (3397.47) Low 3330.45 (3347.60)

STANDARD AND POOR'S

	May 15	May 14	May 13	May 12	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	410.09	413.14	416.45	416.29	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	484.06	487.93	491.82	492.03	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	35.03	35.32	35.80	35.54	35.80 (13/5)	32.40 (8/4)	35.80 (13/5/92)	8.64 (1/10/74)
NYSE Composite	226.31	227.72	229.44	229.45	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	390.37	391.79	393.75	393.46	418.99 (12/2)	380.90 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	574.43	576.46	582.38	583.96	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	May 8	May 1	Apr 24	year ago (approx.)
Dow Industrial Div. Yield	2.77	2.79	2.80	3.14

	May 13	May 6	Apr 29	year ago (approx.)
S & P Industrial div. yield	2.62	2.61	2.62	2.78
S & P Indl. P/E ratio	29.19	29.29	28.96	18.53

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Citicorp	4,441,800	19⅝	- ⅛
Gap Inc	2,916,500	34⅛	- 3½
Coca Cola	2,866,500	43¾	+ ⅛
Am T & T	2,388,300	42⅝	- ½
Telefonos	2,120,000	55½	- ⅝
Exxon	2,094,100	59¼	- ¼
Pepsico	1,913,400	36¼	- ⅛
Gen Electric	1,845,400	77¼	- ¼
Wal-Mart	1,832,200	51⅜	- ⅝
BankAmerica	1,811,200	49¼	+ ⅛

TRADING ACTIVITY

† Volume Millions	May 15	May 14	May 13
New York SE	192.040	187.700	171.610
Amex	11.792	16.226	12.579
NASDAQ	(u)	185.184	171.749
NYSE			
Issues Traded	2,230	2,255	2,257
Rises	624	538	873
Falls	1,035	1,174	807
Unchanged	571	543	577
New Highs	33	49	97
New Lows	24	20	12

CANADA

TORONTO	May 15	May 14	May 13	May 12	1992 HIGH	1992 LOW
Metals & Minerals	3063.73	3078.92	3103.71	3089.15	3238.87 (16/1)	2828.26 (8/4)
Composite	3391.43	3388.31	3404.23	3427.89	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1778.23	1777.84	1787.15	1801.88	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 15 May 1992

	Stocks Traded	Closing Prices	Change on day
Mitsubishi Kakok	10.5m	980	-50
Japan Metal	8.3m	725	-24
Okamoto Inds	6.6m	1440	-60
Nippon Steel	4.0m	308	-1
Toshiba Corp	3.7m	632	-26
Nippon Chem	3.4m	725	-10
Japan Storage	3.3m	1050	-50
Nippon Mining	3.3m	447	-25
Hitachi	3.1m	805	-26
Unitika	3.0m	441	-4

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 38p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh					031-226	3271
American ♥	5	272 9	272 9	290.3	0 77	41410
(Accum Units) ♥	5	321 2	321 2	341 7	0.77	41411
British	5	877 2	892 9	944 7	5.28	41416
(Accum Units)	5	1471 1	1497 4	1584.3	5.28	41417
European	5	340 6	340 6	361 0	1 43	41418
(Accum Units)	5	369.2	369 2	391.3	1 43	41419
Japan	5	95 62	95 62	101 8	–	41420
(Accum Units)	5	96.38	96 38	102 6	–	41421
New Pacific	5	205 2	205 2	219 1	1.60	46365
(Accum Units)	5	210.7	210 7	225.0	1 60	47934
PEP May 13	5	164.3	165 9	175 5	3 49	47588
Mngd Equity	5	132 0	133 6	141 3	2.72	47586
Mngd Equity Acc	5	140 1	141 7	149 9	2 72	46556
Mngd Cash	0	96 20	96 20	96 20	9 44	47585
(Accum Units)	0	120 8	120 8	120 8	9.44	40287
Majority Stlg	1	100 30	100 30	101 30	9 27	42703
Majority Stlg Acc	1	111 23	111 23	112.34	9.27	46689
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries 0277 227300					Dealing 0277	261010
International May 15	0	49 63	49 63	50 09	1.77	46906
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham					0403	232323
Equity	6	847 3	847.3	892 3	2 87	41423
North America	6	82.02	82 02	87.72	0.42	41424
Far East	6	86 63	86 63	92 70	0 84	41425
W'wide Bond	6	47 01	47 01xd	50 01	6.90	41426
European	6	68.46	68.46	73.22	1 49	41429
Equity Income	6	72 67	72.67	77 72	5.16	41430
Portfolio	6	59 65	59 65xd	63 80	1 89	41431
UK Leading Cos	6	46 20	46 79	49 78	2.73	–
Broker Trusts						
Worldwide Growth	6	47 00	47 00	50 00	2 23	47726
Intnl Equity		–	–	–	–	–
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke Hants					0800	525725
American Growth	6	26 26	26 26	28 09	0.86	47776
Managed Assets	6	107 14	107 80	115.30	3.27	44067
UK Income	6	33 86	34.22	36 60	4.32	41432
UK Growth	6	33 93	34.26	36 65	3 47	41433
Worldwide Growth	6	24 20	24 20	25 89	1.12	41434
Sun Life Trust Mngmt Ltd (1200)H						

	Bid Price	Offer Price	Yield Gross	City-line
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ			071-588	1815
Property Apr 30	189 10	192.95	8.21	40825
Equity Apr 30	905 90	918.66	3 83	40826
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond May 14	104.78xd		10 29	40883
(Accum Units)	651.28		10.29	40884
NAACIF May 5	42 25xd		9 16	46917
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † May 12	141.5	151.6	2.78	46925
UK Small Co † May 12	561.1	613.9	3.26	46926
Fixed Interest † May 12	109.9	115.7	8.64	46920
US Small Co May 12	161 2	172.5	0 00	46927
Managed May 12	116.0	124 0	3.44	46924
Intl Bond May 12	119.9	126.5	10 15	47790
Japan May 12	60.90	64 95	4.52	47877
European May 12	93 02	99.54	1.70	47876
Nth American May 12	116.5	125.3	1.27	47878
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	54 34	56 52	1.70	41064
European Exempt	53.31	55.98	2.31	41065
Fixed Int Ex May 13	48.27	49.46	8.74	46594
Japan Exempt	35 91	37.35	0.82	41066
Managed Ex May 14	48 17	50 10xd	4.05	41067
SE Asia Exempt	80.31	84.33	2.44	41068
Sm Cos Expt May 13	38.44	40.37xd	3.27	41069
UK Eqty Ex May 13	47.01	49.36	3.58	41070
Phillips & Drew Fund Management Ltd				
Small Co's May 7	712.80	759.15xd	4.27	41138
Do Accum	832.35	886.24	4.27	41139
Intl Expt May 14	190 87	195.17xd	1.78	41140
UK Index May 7	1244 90	1260.31xd	4.62	46945
Do Accum	1388.89	1406.08	4.62	46946
Convertible May 11	100.32	103.59xd	7.81	46938
Workex UK Index May 12	751 38	760 13	2.17	47887
Do Accum	751 38	760 13	2.17	47888
Japan Index May 12	447 22	454 04	0 93	47881
Do Accum	448 98	455 83	0.93	47882
USA Index May 12	1062.96	1070 01	2 96	47885
Do Accum	1107.99	1115.34	2.96	47886
Europe ex UK Index May 12	929.31	939 49	3 14	47879
Do Accum	962.28	977 03	3 14	47880

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Sun Alliance Group

St Mark's Court Horsham 0403 232323

Life Funds

	Bid Price	Offer Price	Yield Gross	City-line
Managed	508.2	535.0	-	44201
Deposit	264.1	278.0	-	44209
Equity	717.9	755.7	-	44202
Equity Income	171.9	181.0	-	44214
European	116.1	122.3	-	44215
Far East	140.2	147.6	-	44208
Fixed Interest	342.6	360.7	-	44203

Wesleyan Assurance Society

Colmore Circus, Birmingham, B4 6AR 021-200 3003

	Bid Price	Offer Price	Yield Gross	City-line
Managed Fd	257.5	270.5	-	44402
Pens Managed Fd	173.6	182.3	-	46464

Windsor Life Assur Co Ltd

Windsor House, Telford, Shropshire 0952 292929

Providence Capitol International Ltd – Contd.

J. D. Ward Financial Services Ltd

9 Kingsway, London, WC2 B6XF 071-836 4321

	Bid Price	Offer Price	Yield Gross	City-line
J D Ward Magd Bond	199.8	210.6	-	44591
J D Ward Magd Pens	124.8	134.8	-	44592
Albany Life Acc	196.8	207.1	-	41721
Albany Pens Acc	254.3	267.6	-	41722
M&G Tripos Pen Acc	190.0	199.6	-	47104

Rothschild Asset Management – Contd.

Daily Dealings *Weekly dealing

Royal Bank of Canada Offshore Fd Mgrs Ltd

PO Box 246, St Peter Port, Guernsey 0481 723021

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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Asset Global Funds Ltd (1200)
Victory Hse, Prospect Hill, Douglas IoM 0624 620097

CMI Fund Managers (IoM)
Clerical Medical Hse, Douglas, IoM 0624 625590

Equity & Law Intl Fund Mngrs Ltd
Victory Hse, Prospect Hill, Douglas IoM 0624 677877

Gartmore Fund Managers (IoM)
PO Box 32, Douglas, IoM 0624 627610

Leopold Joseph Fund Mngrs (IoM) Ltd
PO Box 52 Athol St Douglas IoM 0624 661020

Mercury Fund Managers IoM Ltd
11 Hill Street, Douglas IoM 0624 662255

Sun Life Management (IoM) Ltd
PO Box 178, Douglas, IoM 0624 622444

Unibank Scandinavian Fund Ltd
23 Bucks Road, Douglas, IoM 0624 626484

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Citibank (CI) Ltd "Citifunds"

EBC Trust Company (Jersey) Ltd

Equitilink International Mngt Ltd

Fidelity Investment (CI) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

CMI Asset Management – Contd.

Commercial Union Luxembourg SA (a)
41 Ave de la Gare L-1611

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Alliance Capital

Global Asset Management – Contd.

Orbis Investment Management Ltd
* Prices on May 14 Next Pricing May 21 Weekly Pricing

Orbitex Bahamas Ltd

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

More dollar nerves

THE CONTINUING uncertainty over the dollar is certain to dominate the markets again this week, *writes James Blitz.*

Analysts believe that last week's good indicators for US industrial production and money supply make it unlikely that the Federal Reserve will cut rates at their Federal Open Markets Committee tomorrow. But the market will need to see extremely good figures for the US trade balance on Wednesday if it is to invest in dollars.

Traders may still be influenced by last week's comments from Mr David Mulford, the US Treasury undersecretary for international affairs, who said that Washington wants to see a strong yen. Those comments brought the US currency below Y130 last week. There is little doubt that if the dollar dips below Y129 or DM1.60 there will be another furious bout of selling.

However, the outlook for Japan is not all that strong either. Yen traders will focus on the Bank of Japan's April money supply figures, due out on Wednesday at the earliest, as a key to whether the economy is about to recover. Analysts believe that the market is likely to be disappointed, with monthly growth falling back to 1.6 per cent after being at 1.8 per cent last month. If that is the case, it will further worry those who believe that the Japanese economy is slowing down too much.

In Europe, attention will focus on whether the French franc and sterling can continue their onslaught against the D-Mark and breach their central rates against the German currency. With a Bundesbank council meeting on Thursday, threatening yet another rate hike, the markets are likely to give the D-Mark the benefit of the doubt for the time being.

UK clearing bank base lending rate 10 per cent from 5 May, 1992

£ IN NEW YORK

May 15	Close	Previous Close
£ Spot	1.8230-1.8240	1.8210-1.8220
1 month	0.94-0.93pm	0.96-0.94pm
3 months	2.78-2.75pm	2.82-2.79pm
12 months	9.15-9.05pm	9.15-9.05pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

May 15	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.8	−18.9
U.S. Dollar	63.4	−14.8
Canadian Dollar	99.2	−2.9
Austrian Schilling	110.1	+12.2
Belgian Franc	111.4	−2.1
Danish Krone	109.4	+3.2
[illegible]	[illegible]	[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

CHICAGO

[illegible]

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
1.725	9.55	9.55	9.60	9.55	-	0.05	0.43	1.85
1.750	7.10	7.10	7.17	7.37	-	0.22	0.91	2.62
1.775	4.65	4.74	5.01	5.51	-	0.60	1.62	3.65
1.800	2.23	2.78	3.23	4.08	-	1.33	2.58	4.93
1.825	-	1.47	2.05	2.92	0.10	2.58	3.94	6.46
1.850	-	0.67	1.20	2.11	2.64	4.26	5.67	8.12
1.875	-	0.24	0.64	1.43	5.14	6.34	7.60	9.97

Previous day's open int. Calls 536,802 Puts 592,362 (All currencies)
Previous day's volume: Calls 45,785 Puts 29,258 (All currencies)

POUND SPOT - FORWARD AGAINST THE POUND

May 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8130 - 1.8210	1.8190 - 1.8200	0.95-0.93cpm	6.20	2.78-2.75pm	6.08
Canada	2.1890 - 2.1975	2.1900 - 2.1910	0.66-0.62cpm	3.51	1.32-1.25pm	2.35
Netherlands	3.3000 - 3.3125	3.3000 - 3.3100	⅛-parcpm	0.23	⅜-¼pm	0.38
Belgium	60.25 - 60.60	60.25 - 60.35	5-parcpm	0.5	9-4pm	0.43
Denmark	11.3025 - 11.3550	11.3025 - 11.3125	¼-½oredis	−0.40	⅝-1¼dis	−0.27
Ireland	1.0960 - 1.1030	1.0995 - 1.1005	0.02dis-0.01pm	−0.05	0.06-parpm	0.11
Germany	2.9350 - 2.9425	2.9350 - 2.9400	⅛-parpfpm	0.26	¼-parpm	0.17
Portugal	242.95 - 244.95	243.10 - 244.10	105-130cdis	−5.79	240-300dis	−4.43
Spain	183.05 - 183.85	183.05 - 183.35	35-42cdis	−2.52	102-114dis	−2.36
Italy	2206.50 - 2214.75	2208.25 - 2209.25	4-5liredis	−2.44	11-13dis	−2.17
Norway	11.4475 - 11.4850	11.4500 - 11.4600	⅛-⅞oredis	−0.52	par-1¼dis	−0.22
France	9.8475 - 9.8775	9.8575 - 9.8675	¼-⅛cpm	0.23	⅛-parpm	0.08
Sweden	10.5650 - 10.6000	10.5900 - 10.6000	⅞-2⅛oredis	−1.42	3¼-4¼dis	−1.39
Japan	236.00 - 237.50	236.50 - 237.50	1⅛-1ypm	5.38	3¼-3pm	5.27
Austria	20.63 - 20.70	20.63 - 20.66	⅞-¼gropm	0.33	3⅛-1⅛gpm	0.31
Switzerland	2.6900 - 2.7125	2.7025 - 2.7125	¼-⅛cpm	0.83	¾-½pm	0.92
Ecu	1.4250 - 1.4310	1.4250 - 1.4260	par-0.05cpm	0.21	par-0.10dis	−0.14

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.23-5.18pm. 12 Month 9.05-8.95pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8130 - 1.8210	1.8190 - 1.8200	0.95-0.93cpm	6.20	2.78-2.75pm	6.08
Ireland†	1.6470 - 1.6610	1.6585 - 1.6595	0.88-0.85cpm	6.26	2.56-2.49pm	6.09
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000 Belgian Fr. per 100. Pesos per 100

EURO-CURRENCY INTEREST RATES

May 15	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	9½ - 9¾	9½ - 9⅜	9⅝ - 9½	9⅝ - 9½	9½ - 9⅛	9⅛ - 9
Swiss Franc	9¾ - 9⅝	9⅝ - 9⅜	9⅛ - 9⅜	9¼ - 9	9 - 8⅞	8¾ - 8⅝
D-Mark	9¾ - 9⅞	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾
French Franc	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾
Italian Lira	12 - 10	12¼ - 11¾	12¼ - 11¾	12¼ - 11¾	12¼ - 11⅞	12½ - 12⅛
Belgian Franc	9⅞ - 9⅞	9⅞ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Yen	4⅝ - 4⅝	4⅝ - 4⅝	4⅝ - 4⅝	4¾ - 4⅝	4⅝ - 4½	4⅝ - 4½
Danish Krone	10 - 9¾	10 - 9¾	10¼ - 10	10¼ - 10	10¼ - 10	10¼ - 10
Asian $Sing.	2⅞ - 2⅞	3 - 2⅞	3⅛ - 3	3¼ - 3⅛	3½ - 3⅜	3⅞ - 3⅞
Spanish Peseta	12⅝ - 12⅛	12⅝ - 12⅛	12⅝ - 12⅛	12⅝ - 12⅛	12⅝ - 12⅛	12⅜ - 12⅛

Long term Eurodollars: two years 5⅞-5⅜ per cent; three years 6⅛-6 per cent; four years 6⅝-6½ per cent; five years 7-6⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 15) 3 months US dollars		6 months US Dollars	
bid 3¾	offer 3⅞	bid 3⅞	offer 4⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Treasury Bills and Bonds

4pm					
Prime rate	6½	One month	3.23	Three year	5.70
Broker loan rate	6	Two month	3.54	Five year	6.59
Fed.funds	3⅞	Three month	3.67	Seven year	6.95
Fed.funds at intervention	3⅞	Six month	3.81	10-year	7.28
		One year	4.07	30-year	7.81
		Two year	5.07		

May 15	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.55-9.65	9.70-9.80	9.70-9.80	9.70-9.80	9.70-9.80	9.75
Paris	9¾-10	9¾-9⅞	9¾-9⅞	9⅞-9⅞	9⅞-9⅞	9.60
Zurich	8⅞-8⅝	8⅞-9⅛	-	8¾-9	-	-
Amsterdam	9.31-9.38	9.47-9.54	-	9.48-9.55	-	-
Tokyo	4⅞-4⅞	4⅞-4⅝	-	-	-	-
Milan	12¼-12½	12⅝-12⅞	-	12⅝-12⅞	-	-
Brussels	9⅞-9⅞	9⅞-9⅞	-	9⅞-9⅞	-	-
Dublin	9⅞-9⅞	10⅛-10¼	10⅛-10¼	10⅛-10¼	10⅛-10¼	-

LONDON MONEY RATES

May 15	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9¾	9¾	10	10	10	10
Interbank Bid	5	9	9⅞	9⅞	9⅞	9⅞
Sterling CDs	-	-	9⅞	10	10	10
Local Authority Deps.	9⅞	9⅞	10⅛	10⅛	10⅛	9⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	8⅞	9⅞	-	-	-	-
Company Deposits	-	-	10⅛	10⅛	10⅛	10⅛
Finance House Deposits	-	-	9⅞	9⅞	9⅞	9⅞
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 9⅞ per cent; three months 9⅞ per cent; six months 9⅞ per cent. Bank Bills (sell): one-month 9⅞ per cent; three months 9⅞ per cent; Treasury Bills, Average tender rate of discount 9.3713 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1992. Agreed rates for period May 26, 1992 to June 23, 1992, Scheme I: 11.75 p.c., Schemes II & III: 11.93 p.c. Reference rate for period April 1, 1992 to April 30, 1992, Scheme IV&V: 10.685 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from May 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

FINANCIAL TIMES STOCK INDICES

	May 15	May 14	May 13	May 12	May 11	May 8	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.04	88.94	88.84	88.61	88.67	88.57	89.04	85.11	127.4	49.18
Fixed Interest	104.33	104.13	103.82	103.73	103.76	103.50	104.33	97.15	105.4	50.53
Ordinary	2113.3	2120.2	2136.2	2137.8	2147.1	2134.7	2147.1	1851.4	2147.1	49.4
Gold Mines	111.4	110.9	107.7	110.1	111.0	110.5	160.6	106.8	734.7	43.5
FT Act All-Share	1303.73	1309.31	1319.30	1319.48	1326.36	1319.37	1326.36	987.46	1326.36	61.92
FT-SE 100	2682.6	2694.7	2720.5	2722.4	2737.8	2725.7	2737.8	2382.7	2737.8	986.9
FT-SE Eurotrack 100	1171.24	1179.98	1187.91	1188.40	1191.63	1188.95†	1191.63	1078.19	1191.63	900.45
FT-SE Eurotrack 200	1225.65	1234.32	1243.41	1243.10	1248.79	1247.48†	1248.79	1120.52	1248.79	938.62

† Partial

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	Wk % change	Amnt £m	Interest due		Last xd	City line
"Shorts" (Lives up to Five Years)								
3pc 1992		99⅝xd	0.1	599	De11	Ja11	5.6	1328
Exch 12¼pc 1992		100⅛	—	1,359	Fe25	Au25	28.1	1265
13½pc 1992		101⅞	—	1,767	Mr22	Se22	14.2	1266
Treas 8¾pc 1993		99⅞	0.1	900	Au18	Fe18	13.1	5047
10pc 1993‡‡		100⅞	0.1	1,800	Oc15	Ap15	9.3	1279
12½pc 1993‡‡		103⅞	0.1	1,100	Ja14	Jy14	7.1	1296
Funding 6pc 1993‡‡		96⅞	0.2	800	Mr15	Se15	7.2	1276
Treas 13¾pc 1993‡‡		105⅞xd	0.1	1,865	My23	Nv23	18.4	1304
8½pc 1994		99⅞	0.2	2,189	Au3	Fe3	30.12	4871
14½pc 1994‡‡		108⅞	0.1	558	Se1	Mr1	24.1	1307
Exch 13½pc 1994		107⅞	0.1	1,189	Oc27	Ap27	23.3	1257
Treas 10pc Ln 1994‡‡		101⅛xd	0.2	1,900	Oc8	Ja8	5.5	1284
Exch 12½pc 1994		106⅞	0.2	1,249	Fe22	Au22	18.1	1263
Treas 9pc 1994‡‡		99⅞	0.3	1,900	My17	Nv17	18.4	1345
12pc 1995		106⅞	0.1	2,859	Jy25	Ja25	19.12	1294
Exch 3pc Gas 90-95		91	—	214	Nv1	My1	25.3	1271
10¼pc 1995		102⅞	0.2	2,400	Ja21	Jy21	16.12	1254
Treas 12¾pc 1995‡‡		110⅛	0.2	849	My15	Nv15	8.4	1298
14pc 1996		113⅞	0.2	779	Jy22	Ja22	16.12	1305
9pc 1992-96‡‡		99⅞	0.2	758	Se15	Mr15	7.2	1344
15¼pc 1996‡‡		118⅞	0.2	1,159	Nv3	My3	27.3	1309
Exch 13¼pc 1996‡‡		112⅞	0.2	800	Nv15	My15	8.4	1268
Conversion 10pc 1996		102⅞	0.2	3,288	My15	Nv15	8.4	1240
Treas 13¼pc 1997‡‡		114⅛	0.2	1,299	Jy22	Ja22	18.12	1302
Exch 10½pc 1997		104⅞	0.2	3,700	Au21	Fe21	15.1	1253
Five to Fifteen Years								
Treas 8¾pc 1997‡‡		98⅛	0.2	3,600	Mr1	Se1	24.1	1341
8¾pc 1997 D		25⅞	0.2	1,800	Mr1	Se1	—	—
Exch 15pc 1997		122⅞	0.3	838	Ap27	Oc27	23.3	1269
9¾pc 1998		102⅞	0.2	3,250	Jy19	Ja19	13.12	1273
Treas 6¾pc 1995-98‡‡		91⅞	0.4	1,000	Nv1	My1	25.3	1331
15½pc '98‡‡		128⅞	0.3	885	Mr30	Se30	24.2	1308
Exch 12pc 1998		113⅞xd	0.3	3,989	My20	Nv20	18.4	1259
Treas 9½pc 1999‡‡		102⅞	0.3	1,700	Jy15	Ja15	7.1	1347

BRITISH FUNDS - Cont.

	Notes	Price £	Wk % change	Amnt £m	Interest due		Last xd	City line
Exch 12¼pc 1999		114⅞	0.3	3,050	Se26	Mr26	18.2	1264
Treas 10½pc 1999		106⅛xd	0.4	1,252	Nv19	My19	13.4	1288
Conversion 10¼pc 1999		105⅞xd	0.4	1,686	My22	Nv22	16.4	1242
9pc 2000‡‡		99⅞	0.3	3,166	Se3	Mr3	27.1	1244
Treas 13pc 2000		120⅛	0.3	3,171	Ja14	Jy14	7.1	1299
10pc 2001		105⅛	0.4	4,196	Au26	Fe26	28.1	1280
14pc '98-01		120⅛xd	0.3	979	Nv22	My22	15.4	1306
9¾pc 2002		104⅞	0.5	3,477	Fe27	Au27	21.1	1349
9¾p 2002 C		104⅛	0.5	1,800	Fe27	Au27	—	—
10pc 2003		105⅞	0.6	1,763	Mr8	Se8	31.1	1281
10pc 2003 B		60⅞	—	890	Mr8	Se8	—	—
Treas 11½pc 2001-04		112⅞	0.4	1,820	Se19	Mr19	11.2	1290
Funding 3½pc '99-04		84⅞	0.7	443	Ja14	Jy14	7.1	1274
Conversion 9½pc 2004		103⅛	0.6	1,512	Ap25	Oc25	19.3	1246
9½pc 2005		103⅞	0.7	4,882	Oc18	Ap18	12.3	1247
Treas 12½pc 2003-05		123⅛xd	0.5	2,280	My21	Nv21	14.4	1295
8pc 2002-06‡‡		91⅞	0.7	1,999	Ap5	Oc5	2.3	1334
Over Fifteen Years								
Treas 11¾pc 2003-07		117⅞	0.5	3,150	Jy22	Ja22	16.12	1293
8½pc 2007‡‡		98	0.8	1,897	Ja16	Jy16	10.12	1339
8½pc 2007 A		86	0.8	1,000	Jan	Jul	—	—
13½pc '04-08		131⅛	0.5	1,258	Se26	Mr26	18.2	1301
9pc 2008‡‡		100⅞	0.8	3,521	Ap13	Oc13	8.3	1343
8pc 2009		91⅞	0.8	1,208	Mr25	Se25	17.2	1336
Conv 9pc Ln 2011‡‡		100⅞	0.8	1,423	Ja12	Jy12	7.1	1245
9pc 2011 B		100⅞	0.8	1,500	Jy12	Ja12	—	—
Treas. 9pc 2012		100½	0.7	1,580	Fe6	Au6	—	—
Treas 5½pc 2008-12‡‡		68⅞	0.9	1,800	Mr10	Se10	3.2	1330
7¾pc 2012-15‡‡		88⅛	0.9	700	Jy26	Ja26	20.12	1332
Exch 12pc '13-'17		128⅛xd	0.7	1,800	Je12	De12	6.5	1260
Treas 8¾pc 2017		28⅞	2.9	2,500	Fe25	Au25	—	—
Undated								
Consols 4pc		43⅞	1.2	359	Fe1	Ap1	8.1	1239
War Loan 3½pc‡‡		38⅞xd	1.3	1,909	Je1	De1	27.4	1352
Conv 3½pc '61 Aft		61⅞	0.8	127	Ap1	Oc1	24.2	1243

BRITISH FUNDS - Cont.

	Notes	Price £	Wk % change	Amnt £m	Interest due		Last xd	City line
Treas 3pc '66 Aft		31⅞	1.6	56	Ap5	Oc5	2.3	1324
Consols 2½pc		27⅛	1.9	276	5.JaApJyOc		2.3	1238
Treas 2½pc		27⅛	1.9	476	Ap1	Oc1	24.2	1315
Index - Linked (b)								
Treas. 2pc '94 (102.9)		128xd	0.5	580	Nv16	My16	9.4	5070
2pc '96 (67.9)		182⅝	0.4	1,100	Mr16	Se16	10.2	1313
2½pc '01 (78.3)		148⅞	0.3	1,158	Mr24	Se24	17.2	1316
2½pc '03 (78.8)		141⅞xd	0.4	800	Nv20	My20	13.4	1317
2pc '06 (69.5)		143⅛	0.5	1,200	Ja19	Jy19	13.12	1314
2½pc '09 (78.8)		131xd	0.6	1,100	Nv20	My20	13.4	1318
2½pc '11 (74.6)		135⅛	0.7	1,450	Fe23	Au23	17.1	1319
2½pc '13 (89.2)		111⅛	0.7	1,800	Fe16	Au16	10.1	1320
2½pc '16 (81.6)		118⅛	0.6	1,700	Ja26	Jy16	20.12	1321
2½pc '20 (83.0)		113⅞	0.6	1,400	Oc16	Ap16	10.3	1322
2½pc '24‡‡ (97.7)		94⅛	0.5	900	Ja17	Jy17	11.12	1323

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1991, 134.6 and for April 1992, 138.8

OTHER FIXED INTEREST

	Notes	Price £	Wk % change	Amnt £m	Interest due		Last xd	City line
African Dev 11⅛ 2010		113⅞	0.9	58	Ja4	Jy4	1.12	—
Asian Dev 10¼pc 2009		107⅞	1.1	100	Mr24	Se24	28.3	—
B'ham 11½pc 2012		109⅛	0.7	45	My15	Nv15	17.4	1837
Ireland Cap 8½pc '10		88⅛	—	384	Ap1	Oc1	—	1465
9pc Cap 1996		98⅞	0.1	725	Ja30	Jy30	—	—
13pc '97-02		104⅛	0.2	315	Ap1	Oc1	28.8	1428
Hydro Quebec 15pc 2011		138⅞	0.8	48	My31	Nv31	27.10	—
Int-Am Dev 12½pc 2003		120⅞	0.8	75	Ja8	Jy8	7.12	—
9¾pc 2015		103⅞	1.0	175	My15	Nv15	13.10	—
Leeds 13½pc 2006		123⅛	0.9	48	Ap1	Oc1	12.3	3146
[illegible]								
Liverpool 3½pc Irred		38⅛	0.8	5	1.JaApJeOc		1.5	3169
LCC 3pc '20 Aft		38⅛	3.4	25	1MrJeSeDe		1.8	—
Manchester 11½pc 2007		109⅛	0.5	7	Ap25	Oc25	30.3	3275
Met. Wtr 3pc 'B'		58⅛	0.4	25	Mr1	Se1	1.8	3361
N'wide Anglia 3⅞pc 2021		108⅞	1.2	68	Ja30	Jy30	8.1	3465
4¼pc IL 2024		108⅛	1.2	50	Fe23	Au23	27.1	—
Utd Mex States 16½pc 2008		124	−4	58	Mr1	Se1	17.2	—

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	FRIDAY MAY 15 1992: US Dollar Index	% chg ($) since 31/12/91	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/91	Gross Div. Yield	THURSDAY MAY 14 1992: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1992 High	1992 Low	Year ago (approx)
Australia (69)	150.47	−0.3	122.60	123.84	126.30	132.05	+0.0	4.17	152.00	123.68	125.19	127.43	133.50	153.68	140.94	145.21
Austria (19)	166.33	−0.1	135.53	136.90	139.62	139.49	+6.3	2.10	166.69	135.63	137.29	139.74	139.85	186.70	162.48	200.68
Belgium (46)	143.48	−0.6	116.91	118.08	120.43	117.29	+5.4	5.19	143.95	117.14	118.56	120.68	117.86	145.19	135.87	138.47
Canada (115)	126.83	−6.9	103.34	104.38	106.45	110.48	−3.2	3.32	126.92	103.28	104.54	106.40	110.56	142.12	125.60	136.79
Denmark (35)	243.34	−8.9	198.28	200.27	204.25	205.69	−4.2	1.78	242.94	197.69	200.10	203.67	205.69	273.94	226.81	237.44
Finland (15)	83.61	+7.2	68.13	68.82	70.18	76.83	+13.5	1.88	82.92	67.48	68.30	69.52	76.08	89.80	73.64	113.42
France (105)	164.88	+9.6	134.35	135.69	138.38	140.18	+14.8	3.36	164.77	134.08	135.71	138.12	140.02	167.06	148.06	136.18
Germany (65)	120.11	+2.4	97.87	98.87	100.81	100.81	+9.0	2.30	120.96	98.43	99.64	101.41	101.41	122.84	114.67	108.65
Hong Kong (55)	236.92	+34.3	193.05	194.98	198.87	235.26	+33.6	3.48	238.51	194.08	196.45	199.96	236.97	238.71	176.36	160.14
Ireland (16)	160.21	−4.5	130.54	131.85	134.47	136.07	+0.6	3.97	161.56	131.47	133.07	135.44	137.55	173.71	151.78	152.94
Italy (78)	68.39	−9.3	55.72	56.28	57.40	62.00	−4.1	3.70	68.88	56.04	56.73	57.74	62.50	80.86	68.39	75.98
Japan (473)	101.61	−25.2	82.80	83.63	85.30	83.63	−22.0	1.02	105.32	85.70	86.74	88.30	86.74	140.95	88.70	137.36
Malaysia (68)	236.58	+10.5	192.77	194.70	198.57	230.06	+2.5	2.82	237.79	193.49	195.85	199.34	231.13	250.18	212.49	228.71
Mexico (18)	1617.16	+16.2	1317.72	1330.95	1357.40	5488.24	+18.7	1.04	1633.43	1329.15	1345.37	1369.36	5513.10	1789.77	1376.91	968.19
Netherland (25)	156.95	+2.8	127.89	129.17	131.74	130.16	+9.3	4.29	159.10	129.47	131.04	133.39	131.84	159.10	147.88	134.96
New Zealand (14)	46.19	−1.7	37.64	38.02	38.78	45.91	−0.6	5.57	46.44	37.79	38.26	38.94	46.09	48.52	42.01	52.60
Norway (23)	186.96	+4.6	152.34	153.87	156.93	159.74	+10.4	1.60	188.92	153.73	155.61	158.38	161.35	192.95	161.26	200.81
Singapore (38)	215.77	−1.8	175.82	177.59	181.11	162.92	−0.7	2.00	217.00	176.58	178.73	181.92	163.70	228.43	192.76	199.63
South Africa (61)	248.98	+0.0	202.88	204.91	208.99	186.08	+7.6	2.72	247.99	201.79	204.25	207.89	185.33	263.60	203.16	211.43
Spain (50)	160.15	+2.4	130.50	131.81	134.43	121.87	+6.4	4.98	159.60	129.87	131.46	133.80	121.87	160.47	146.86	159.52
Sweden (25)	193.60	+6.9	157.75	159.34	162.50	166.87	+12.3	2.71	195.62	159.18	161.12	164.00	168.18	196.12	173.09	177.31
Switzerland (60)	104.99	+4.6	85.55	86.41	88.13	96.85	+14.9	2.21	106.92	87.00	88.07	89.65	97.94	106.92	95.99	92.05
United Kingdom (226)	196.69	+6.1	160.27	161.87	165.08	160.27	+9.1	4.63	197.82	160.97	162.92	165.82	160.97	198.57	165.85	169.12
USA (522)	167.32	−1.5	136.34	137.71	140.45	167.32	−1.5	2.98	168.40	137.03	138.71	141.18	168.40	171.66	160.92	150.78
Europe (790)	153.87	+4.2	125.38	126.64	129.16	128.04	+9.0	3.84	154.78	125.94	127.48	129.76	128.66	155.05	139.31	136.94
Nordic (98)	182.20	−0.9	148.47	149.96	152.94	150.11	+4.3	2.15	183.06	148.96	150.78	153.47	150.75	188.52	169.65	176.91
Pacific Basin (717)	107.79	−21.4	87.83	88.72	90.48	89.53	−18.5	1.40	111.27	90.55	91.65	93.29	92.48	141.97	94.40	138.06
Euro – Pacific (1507)	126.43	−10.8	103.02	104.05	106.12	105.44	−7.2	2.58	128.90	104.89	106.16	108.05	107.48	145.21	113.80	137.93
North America (637)	164.78	−1.8	134.27	135.63	138.33	163.45	−1.6	2.99	165.80	134.91	136.58	139.02	164.46	169.69	158.70	149.83
Europe Ex. UK (562)	128.53	+2.7	104.73	105.80	107.91	109.50	+8.8	3.23	129.30	105.22	106.52	108.42	110.06	129.79	121.81	117.34
Pacific Ex. Japan (244)	168.67	+12.4	137.44	138.84	141.59	150.07	+11.5	3.62	169.97	138.31	140.02	142.51	151.27	169.97	149.00	145.14
World Ex. US (1701)	128.77	−10.2	104.93	105.99	108.09	107.79	−6.6	2.59	131.13	106.70	108.01	109.93	109.74	146.91	116.45	139.11
World Ex. UK (1995)	135.54	−8.4	110.44	111.56	113.78	122.70	−6.1	2.50	137.51	111.90	113.27	115.29	124.49	150.58	127.21	139.38
World Ex. So. Af. (2162)	140.08	−7.0	114.14	115.30	117.59	125.65	−4.7	2.75	142.01	115.56	116.98	119.06	127.37	153.05	130.04	141.57
World Ex. Japan (1750)	162.76	+1.2	132.63	133.97	136.64	150.67	+3.0	3.31	163.75	133.24	134.88	137.29	151.51	164.54	153.20	145.80
The World Index (2223)	140.80	−6.9	114.73	115.89	118.19	126.20	−4.6	2.75	142.71	116.12	117.54	119.64	127.89	153.70	130.66	141.99

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent change with effect 18/5/92: Deletion: Exor (France). Constituent changes during the week ending 15/5/92: Addition: Elvia (Reg.) (Switzerland). Name change: ECC Group to English China Clays (U.K.). Markets closed May 15: Denmark and Spain (Madrid).

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10.5
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	11	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Nykredit Mortage Bank	11
Banco Bilbao Vizcaya	10	First National Bank Plc.	14	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10	Robert Fraser & Ptnrs	10.5	Royal Bk of Scotland	10
Bank of India	10	Girobank	10	● Smith & Williamson Secs.	10
Bank of Scotland	10	● Guinness Mahon	10	Standard Chartered	10
Banque Belge Ltd	10	● Hambros Bank	10	TSB	10
Barclays Bank	10	Hampshire Trust Plc	13.5	Unibank plc	10
Benchmark Bank	11	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
Brit Bk of Mid East	10	● Hill Samuel	10	Unity Trust Bank Plc	10
● Brown Shipley	10	C. Hoare & Co.	10	Western Trust	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Westpac Bank Corp	10.5
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs		35½xd	-1.6	$1.28	FeMyAuNv	8.4	1503
♥Allegheny & W.		254p	-5.9	30c	–	–	–
Amdahl		922p	-6.4	10c	NvMrJeAu	31.1	–
Amer Cyanamid		32½	-4.4	$1.86	MrJeSeDe	4.3	–
Amer Express		12⅞xd	-5	$1.00	FeMyAuNv	31.3	1594
Amer T & T		23¼xd	-2.8	$1.32	FeMyAuNv	27.3	1597
Ameritech		34¾	0.4	$3.52	FeMyAuNv	28.3	–
BankAmerica		27xd	3.5	$1.28	FeJeSeDe	28.2	1744
Bankers NY		32⅝xd	-2.4	$1.82	ApJyOcJa	27.12	1745
Bell Atlantic		23⅞	-4.0	$2.60	FeMyAuNv	4.7	–
BellSouth		25⅞	-5	$2.76	FeMyAuNv	6.4	–
♥Bethlehem Steel		7⅞xd	-4.5	–	MrJeSeDe	8.2	1821
Bowater		1190pxd	-7.8	$1.20	OcJaApJy	9.3	1884
CPC	h	22⅞	-5	$1.20	JaApJyOc	30.3	2263
California Engy		706p	-11	–	–	–	–
Campbell Soup		17⅞	-6.8	76c	OcJaApJy	24.12	2050
Chase Manhattan		16⅝xd	3.1	$1.20	FeMyAuNv	24.4	2109
Chrysler		10¼xd	-3.0	60c	ApJyOcDe	11.3	2135
Citicorp		10⅞xd	2.9	–	–	23.10	2141
Colgate-Palm		27¼xd	-2.0	$1.86	FeMyAuNv	22.4	2184
Cont'l Bank		978p	3.6	60c	DeMrJeSe	31.5	–
Dana		22¼xd	-3.2	$1.60	MrJeSeDe	25.2	2306
Data General		475p	-6.7	–	–	–	–
Dial		19⅛xd	-1.0	$1.12	JaApJyOc	20.3	2776
Dun & Brad		28⅝	-3.0	$2.28	MrJeSeDe	13.2	–
Eaton		43⅞	1.7	$2.20	FeMyAuNv	2.2	2410
Echlin		9⅞xd	-4.4	70c	JaApJyOc	2.4	3046
FPL		19⅞xd	-3	$2.44	MrJeSeDe	25.2	–
Fluor		23⅞xd	-2.6	40c	JaApJyOc	19.3	2609
Ford Motor		23⅞	-6.0	$1.60	MrJeSeDe	28.4	2615
Gen Elect		43xd	0.9	$2.20	JaApJyOc	4.3	2675
♥General Host		486p	-1.1	34c	–	13.12	–
Gillette		26⅞xd	-2.5	72c	MrJeSeDe	29.1	2695
Hasbro		14⅞	3.5	20c	JaApJyOc	1.4	–
Honeywell		38⅝xd	-3.4	$1.66	MrJeSeDe	25.2	2319
Houston Inds		23½	-4.1	$2.98	MrJeSeDe	10.11	–
IBM		50⅞xd	-2.8	$4.84	MrJeSeDe	8.5	2986
Ingersoll-Rand		34⅛xd	-1.3	$1.32	MrJeSeDe	14.5	2979
Lockheed		24½	-3.0	$2.12	MrJeSeDe	16.2	–
Lowe's		2250p	6.0	56c	JaApJyOc	11.7	–
Merrill Lynch		29¼xd	-6.8	$1.00	FeMyAuNv	30.4	3351
Morgan (JP)		30¼xd	-3.9	$2.16	JaApJyOc	10.3	3418
Morris (Philip)		43⅛xd	-1.7	$2.10	JaApJyOc	11.12	5161
NYNEX		43	2.4	$4.64	FeMyAuNv	27.5	4740
♥Pac Agric		42p	-17.6	–	–	–	–
Pall		13¾	-5.4	36c	FeMyAuNv	24.1	–
Pennzoil		26¼xd	-5	$3.00	MrJeSeDe	28.2	3630
Quaker Oats		29⅞xd	-1.5	$1.72	JyOcJaAp	17.3	3738
Rockwell		13¼xd	-1.4	92c	MrJeSeDe	13.6	3847
Rep NY		23⅞	5.5	$1.00	JaApJySe	10.3	3814
Sears, Roebuck		23¼xd	1.9	$2.00	JaApJyOc	25.2	5191
Sthwestern Bell		36	2.9	$2.92	MyAuNvFe	4.7	–
Sun Co		15⅞xd	-8	$1.80	MrJeSeDe	6.6	4135
Tenneco		23⅛xd	-7.0	$1.60	MrJeSeDe	11.2	–
Texaco		34⅞xd	-1.6	$3.20	MrJeSeDe	29.4	4300
Time Warner		60¼xd	-2	$1.00	MrJeSeDe	19.2	4234
♥Unitab		483p	0.6	–	–	–	–
Utd Tech		29⅞xd	0.2	$1.80	MrJeSeDe	25.2	4381
♥Utilitech		94p	6.8	–	–	–	–
♣URS Intl 1c		4⅛p	–	–	–	–	4364

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING—AEROSPACE

ENGINEERING—GENERAL

ENGINEERING—GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	Wk's ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Scot National Inc.		96½	—	8.86	ApJyOcJa	164.1	24.2	3981
Cap.		33	-10.8	—	—	21.1	—	3980
Stepped Pf.	†	138½	1.5	6.25	Sep Mar	44.2	24.2	3982
Zero Div Pf.		182½	0.8	—	—	118.5	—	3984
Warrants		7	16.7	—	—	0.89	—	3983
Scot Value	ta	81½	—	1.8	Jan	14.4	9.12	2706
Sec Alliance	†	1270	-4	35.0	Apr Oct	243.8	24.2	3974
Second Market	s	241	—	1.5	May	241.8	6.4	3976
Sec Tst Scot		74¼xd	2.1	3.25	Jul Dec	237.8	11.5	3977
Select Assets		109	—	0.83	Apr	24.0	24.2	5885
Eq Ind Serl		122	0.8	4.25	JaApJeOc	21.5	6.4	4883
Eq Ind SerII		122	0.8	4.25	JaApJeOc	26.9	6.4	5886
Shires	†	247	1.2	17.8	ApJyOcJa	82.8	9.3	4014
11pc Cv Ln '03/04		£117½	4.4	011%	Sep Mar	28.9	24.2	4012
Siam Select		86	-1.1	1.8	Jul	12.9	—	1987
Warrants		18	-5.3	—	—	0.54	—	1979
Smaller Cos.		84	1.2	2.5	Apr Oct	12.8	24.2	3988
Warrants		20	11.1	—	—	0.68	—	3989
Sphere Inc.	N	16	-3.0	2.1	MyAuNvFe	19.4	27.4	4278
Zero Div Pf.		74½	1.4	—	—	78.6	—	5227
Warrants		8¾	—	—	—	0.83	—	5978
Stratton		168	1.8	1.88	Jun	21.2	3.6	4128
Sumit		44	2.3	1.25	May	3.16	9.3	4132
TR City of Lon	M	124	0.8	4.75	FeMyAuNv	237.1	6.4	4271
TR Euro Growth	s	88	1.1	1.8	Oct	32.2	16.9	4888
Ptg Sub	s	50	—	1.0	Oct	1.81	16.9	—
TR Far East Inc.	N	96xd	2.1	4.4	ApJyOcJa	44.6	11.5	4268
Warrants		27	—	—	—	1.94	—	—
TR High Inc.		109	—	6.9	MrJyOcJa	23.8	6.4	2857
Sub	g	38	-3.2	1.5	Jul	0.88	1.7	2538
TR Pacific	s	97	—	0.25	Apr	86.8	9.3	4581

MERCHANT BANKS

	Notes	Price	Wk's ch'nge	Div net	Div cov.	Dividend paid	Last xd	City line
Ansbacher (H)		29	—	0.01	—	May	23.3	182
Barings 8pc Cm 2nd Prf.		97	1.0	8%	—	June Dec	11.11	—
9¾pc Non-Cum Prf.		118¾	2.2	9¾%	—	Jan Jul	9.12	142
Brown Shipley		138	4.0	8.0	—	Jan Aug	1.7	198
Close Bros	†	251	—	8.8	2.5	Apr Oct	23.3	218
Hambros	†	285	0.7	12.8	1.9	Jan Aug	9.12	281
7½pc Cv Pf.		116	—	7½%	—	Apr Oct	24.2	438
Joseph (L)		330	—	15.85	—	Jan Sep	30.12	388
Kleinwort Benson		281	0.4	18.0	0.9	May Oct	9.3	318
Rea Bros		37	2.8	0.5	0.1	May Oct	27.4	378
Schroders		1290	1.2	18.0	4.8	Nov May	23.3	393
N/V		1098	1.2	18.0	4.8	May Nov	23.3	394
Singer & Fried		48	—	2.5	1.8	Nov May	23.3	402
Warburg (SG)	†	588	-1.7	18.8	2.8	Jul Dec	25.11	442
8pc Cv Pf		202	1.0	8%	—	Mar Sep	24.2	442
Wintrust		220	0.9	9.3	3.6	Sep Mar	24.2	452

METALS & METAL FORMING

	Notes	Price	Wk's ch'nge	Div net	Div cov.	Dividend paid	Last xd	City line
ASW		199	2.6	9.0	0.6	May Nov	23.3	508
Apollo Metals		136	3.8	3.45	3.1	Jan Jul	9.12	145
Ash & Lacy		165	7.8	8.4	2.0	Nov May	6.4	186
Barrett (H)		32	—	2.8	0.4	Feb Jul	20.5	176
Billam (J)		134	0.8	4.26	4.1	Oct May	23.3	182
Brit Steel		61	-3.0	8.75	—	Aug Jan	25.11	381
BCI		29xd	-3.3	2.05	♦	Jul Jan	11.5	213
Castings	†	149	6.4	3.72	3.6	Jan Aug	9.12	287
Chamber & Hill		96	1.1	6.75	2.9	Jul Dec	25.11	218

MINES - Cont.

	Notes	Price	Wk's ch'nge	Div net	Div cov.	Dividend paid	Last xd	City line
Hibernia West IE		45	-2.2	—	—	—	—	—
Kells Mins IE		32	—	—	—	—	—	3741
Kenmare		3¾	—	—	—	—	—	1453
Malinga Res.		33½	9.8	—	—	—	—	—
Navan Res IE		24½	8.9	—	—	—	—	1185
North West Expl A$		3	—	—	—	—	—	—
Oryx Gold $		81½	-1.2	—		—	—	3686
Ovoca Res IE		6	—	—	—	—	—	1470
Plateau		8	-5.9	—	—	—	—	3487
RTZ		645	-3.2	19.5	1.7	Dec Jul	23.3	3690
Vizcaya		1	—	—	—	—	—	4193
Western & Pac C$		52½	-23.9	—	—	—	—	—
Young Grp		21	—	2.6	♦	Oct	9'90	5060

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Subject to local tax.
z Dividend includes a special payment: Cover does not apply to special payment.
E Minimum tender price.
F Dividend based on prospectus or other official estimates for 1990-91.
G Assumed dividend after pending scrip and/ or rights issue.
H Dividend based on prospectus or other official estimates for 1991.
K Dividend based on prospectus or other official estimates for 1992-93
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other official estimates for 1991-92.
N Dividend based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other offical estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions: Fleming Inc. & Cap. Inv. Trust (Ord., Units and Zero Pref.) and Trio Inv. Trust (Section: Inv. Trusts), Forth Ports (Transport). Deletions. Lawrence (W) and Wiggins (Contracting & Construction), Polymark and Cav A (Eng Gen), Williams (J) (Metal & Metal Forming), P & O Warrants 88/92 (Transport), Globe Petroleum (Oil & Gas), Celtic Gold and Northgate Expln. (Mines).

London Share Prices

Real time share prices are available by *calling FT Cityline on 0891 43 + the four digit* code listed after the share price on this page. Calls charged at 36p/min cheap rate and 48p/ min at all other times.

4:00 pm prices May 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	12¾	AAR Corp	0.48	3.6	16	294	13½	13¼	13⅜	+⅛
26	20⅝	A L Labs A	0.18	0.8	80	132	24	23⅜	24	+¼
68¼	58	AMP Inc	1.52	2.5	25	1826	61¾	61¼	61⅝	
80½	64¼	AMR				1754658	67⅛	66¼	66¾	
2½	1⅛	ARX			2	30	1⅞	1¼	1¼	
53½	40¾	ASA	2.00	4.4		137444	45¼	44⅞	44⅞	-⅛
68⅛	50¼	Abbott Lab	1.20	1.8	24	5104	65⅝	64¼	65	
13⅞	12	Abitibi Pr	0.42	3.3	8	10	12½	12½	12⅝	
11⅝	10⅛	ACM Gvl In x	0.96	8.9		305	10¾	10⅝	10¾	+⅛
10¾	9¼	ACM GvOpp x	0.80	8.4		81	9½	9⅜	9½	+⅛
9½	8½	ACM Gvt Sp	0.80	9.0		523	9	8⅞	8⅞	-⅛
11¼	10⅛	ACM Gvt So	0.96	9.0		624	10¾	10⅝	10⅝	
9½	8⅝	ACM Man x	0.95	10.1		392	u9½	9¼	9⅜	
12⅞	10⅝	ACM Mangd x	1.08	9.4		558	11⅝	11⅜	11½	+⅛
11⅛	6¼	Acme Cleve	0.40	5.9	29	65	6⅞	6¾	6¾	-⅛
8⅛	4½	Acme Elect			4	12	5⅛	5	5	
31¼	18⅞	Acuson			14	316	22¼	22	22¼	
19½	18½	Adams Exp x	0.48	2.5	0	164	19	18¾	19	+¼
15½	13	Adobe 12Pf	2.40	16.1		135	14⅞	14⅞	14⅞	+⅛
5⅞	4½	Adobe Res			2	105	6	5	5	-⅛
49⅛	30	Ad Micro	3.00	7.3		152	41	40½	40⅞	-⅝
21½	14⅝	Ad Micro P	3.00	19.4		67217	15⅝	15⅜	15½	-⅛
9½	5	Advest Grp	0.16	2.4	67	10	6¾	6⅝	6¾	+⅛
71¾	66	Aegon ADR x	1.50	2.3	6	6	66	u66	66	
47	39	Aetna Lf	2.76	6.8		82530	41¼	d38⅞	40⅝	+1¼
12	8⅛	Ahdl A x	0.24	2.2	12	517	10⅞	10⅝	10⅞	+¼
32⅞	24	Aileen x	0.44	1.6	14	586	28	27¾	27⅞	-¼
18¼	15⅛	Ahmanson x	0.88	5.3		71356	16⅞	16½	16½	-½
22½	9	Aileen Inc			8	214	9⅝	9⅜	9⅜	-½
49½	36½	Air Pr Chm	0.80	1.7		202799	47½	47⅛	47¼	-⅜
29¼	15⅞	Airbne Frt x	0.30	2.0		124907	15¾	d14¾	15⅛	-⅞
27	22⅝	Airgas Inc			30	675	u27	27	27	+¼
12½	8⅛	Airlease	1.68	15.3	7	29	10⅞	10⅝	10⅞	+⅛
104	99½	AlaPw8.16	8.16	8.0		z100	101¾	101¾	102½	+1½
25⅛	21⅛	AlaPw PfA	2.00	8.0		11	u25⅛	25⅛	25⅛	
[illegible]										

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1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
66½	50	Bankers Tr	2.80	4.8		71763	59	57⅝	58¼	-1
29½	20⅝	Barclys ADR	1.76	6.4	14	143	28	27¼	27½	-¼
34	24⅛	Bard (C R)	0.48	1.9		211763	25	24⅝	24¾	-¼
38½	31½	Barnes Grp	1.40	4.2	11	6	32⅞	32⅞	32⅞	
40½	31	Barnett Bk	1.32	3.4		192625	39⅜	38	39¼	+⅛
6⅛	4⅞	Baroid	0.20	3.6		5821096	5⅞	5⅝	5⅝	-⅛
8⅝	5⅞	Battle Mt	0.10	1.4		384304	7	6¾	6⅞	
60¼	45	Bausch Lmb	0.80	1.6	32	1274	49⅞	48¾	49	-⅜
50⅝	43½	Baxter Pf	3.15	6.3		2	49⅞	49⅞	49⅞	
40½	32½	Baxter	0.86	2.3		174942	37¼	36⅝	36¾	-⅜
24¼	20¾	Bay St Gas x	1.38	6.4	14	37	21⅝	21½	21⅝	
23⅝	21⅝	Bc Tr 1830	1.82	7.8		7	u23⅝	23¼	23¼	-¼
17¾	15½	Bear Stms x	0.60	3.7		61871	16¾	16¼	16¼	-½

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NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
40¾	33½	Russell Cp	0.32	0.9	20	287	34⅞	34⅜	34⅝	+¼
27⅛	19⅝	Ryder Syst	0.60	2.4	24	356	25⅝	25⅜	25½	-
28	19⅞	Ryland Grp	0.60	2.6	19	665	21⅛	21	21	-⅛
		- S -								
21	16⅞	S Anita Rt	1.72	9.8	16	72	17⅞	17⅜	17⅝	+⅛
16⅞	15¼	SCOR US Cp	0.28	1.8	9	75	15⅜	d15¼	15⅜	
29½	24¼	SPS Techno	1.28	4.5	20z100		28	28	28¼	+¼
1⅞		SaatchiAS	0.19	15.2		71886	1¼	1¼	1¼	
13¼	12⅛	Sabine Rt x	1.36	10.6	8	142	u13¼	12⅞	12⅞	-⅛
11⅞	9	Safecard	0.15	1.5	9	54	10⅛	10⅛	10¼	
16	11¾	Safeg'd Sc			8	9	13	13	13	-¼
30⅝	22⅝	SafetyKln	0.34	1.2	30	1024	28	27¾	27⅞	-⅛
30¼	14⅜	Safeway			26	296	15	14⅝	15	+¼
4⅝	3	SafewayW96				370	3⅛	3	3⅛	
41⅞	29⅞	StJoePaper	0.20	0.5	41	18	37¼	37⅛	37⅛	-⅛
34⅞	30⅛	StJoeLB&P	1.72	5.6	12	20	30⅝	30½	30⅝	+⅛
76¾	66½	St Paul's	2.72	3.9	7	388	69⅞	69	69⅛	-½
8⅛	2⅞	Salant Crp			1	22	5¼	5¼	5¼	-⅛
75⅛	60½	Sallie Mae	1.00	1.7	16	9894	60⅞	d59½	59⅝	-2⅛
14¼	13	Salomon Br x	0.60	4.3		248	14	13⅞	14	
33¼	28¾	Salomonlnc	0.64	2.1		92500	31⅛	30⅛	30⅛	-½
45⅝	42¼	SanDgo G&E	2.88	6.3	12	203	u45¾	45¼	45½	
3⅞	2⅛	SantaFeEDu	0.40	13.9	15	28	2⅞	2¾	2⅞	
9¼	7	SantaFeERs	0.16	1.9	20	611	8⅞	8¼	8¼	-⅛

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote
21¼	18⅞	TNP Enterp	1.63	8.0	10	231	20⅜	20⅛	20¼
54¾	41	TRW Inc	1.80	3.4	24	1880	53¼	53	53⅛
1½		TacomaBoat			0	49		0.21	0.21
30⅞	23½	Taiwan Fd				110	23¼	d22⅞	23
4¼	2½	Talleylnd	0.20	6.7	0	711	3	2⅞	3
7½	5	Talley Pf	1.00	18.2		6	5⅝	5¼	5½
70½	58⅝	Tambrands	1.36	2.2	31	402	61⅜	60⅛	60⅝
16¾	11	Tandem			19	1814	13½	13⅜	13⅜
31⅛	24	Tandy Corp	0.60	2.2	12	2504	28	27⅜	27½
73¼	11⅞	Tasty Bkg x	0.88	7.0		134	12¾	12⅝	12⅝
41½	38	Teco Energ	1.82	4.8	14	930	38⅛	37¾	38⅛
22⅞	16½	Tektronix	0.60	3.1	13	889	19½	19⅛	19⅛
1½		Telecom Cp			2	20	1¼	1⅛	1¼
28¾	19⅜	Teledyne	0.80	3.6	41	716	22¼	22	22¼
38⅜	28⅞	TeleEspSA	1.44	4.4	6	589	32⅞	32⅝	32¾
60	45¾	Telmex ADR	0.17	0.3		1982	56	55½	55½
67½	49¼	Templeinl	0.96	1.9	21	1258	51½	50⅞	51⅜
24⅛	21	TempltEmMkt	3.30	16.4		111	23⅞	23⅝	23¾
9¾	8⅞	TempltGlob	0.84	8.7		172	u9¾	9⅝	9⅝
9⅛	8⅞	TempltGlFd x	0.84	9.1		7136	9¼	9⅛	9¼
48	31¼	Tennecolnc	1.60	3.8		72085	42	41⅜	41⅞
21¾	19½	Teppco Pts	2.20	10.3	15	67	21⅝	21⅛	21⅜
20⅜	12¾	Teradyne			18	334	13¾	13⅝	13¾
18½	12¼	Terex	0.06	0.5	6	22	13	d12⅝	13
5⅝	5⅜	Terra Inds				438	5⅜	d5¼	5⅜
6⅝	4⅞	Tesoro Pet			2	503	4½	4⅜	4½

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
37	28½	Xtra Corp x	0.80	2.4	12	94	33⅞	33⅝	33⅞	+⅛
27	25¼	Yankee Egy	1.60	6.0	12	5	26⅝	26½	26⅝	+⅛
1½	½	Zapata			28	352	1¼	1⅛	1⅛	
11⅛	6¾	ZenithElec			4	615	8	7⅞	7⅞	-⅛
18⅜	14½	Zenith Nat	1.00	5.7	7	82	17¾	17½	17⅝	-⅜
7⅛	6	Zenix Inc x	0.85	12.8		108	6¾	6⅝	6¾	
13⅞	11⅛	Zero Corp x	0.40	3.6	18	61	11¼	d11	11¼	
38	31½	Zurn Ind	0.88	2.8	14	194	31⅞	31⅝	31¾	-⅛
14⅛	12¾	Zweig Fund	1.16	9.0		312	13	d12¾	12⅞	
11	9⅞	Zweig Totl	1.00	9.6		459	10⅝	10⅜	10½	+⅛

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices May 15

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pall Corp	0.36	26	1248	24¼	d23⅝	23¾	-¼
Pegasus G	0.10	32	737	12⅞	12½	12½	-⅛
Perini		52	40	14⅛	13⅞	14⅛	
Pet Ht&P	0.31	13	11	12¼	12	12	
Phil LD	0.25	17	886	41⅞	41¼	41½	-⅜

NASDAQ NATIONAL MARKET

4:00 pm prices May 15

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
LDDS A		24	350	31	30½	30½	
La Petite		77	89	7¼	6⅞	7	+¼
Sec Bancp	1.00	17	57				
SEI Cp	0.15	21	245				
Warmtech		78	467	3¼	2½	3⅛	-⅛
WashMutSB	0.48	6	5232	23⅞	22⅝	23⅛	+⅛
WatEngy i	1.40	19	128	21¼	21¼	21¼	-½
WestFedSL	1.20	10	227	25¼	24½	25	-¼
WattsIndA	0.28	19	310	52	50¾	50¾	-1
Wausau PM	0.34	17	414	44	40½	43	+1
WD-40	1.80	18	582	44½	44¼	44½	+⅜
Werbek		5	92	5¼	4¾	5⅛	+⅛
West One	1.04	13	178	41	40½	40⅞	-⅜
WestnPubl		27	509	17¼	17	17⅛	-⅛
Westmark		27	524	56	54½	56⅛	+½
WestcCal i	0.32	9	56	17½	15¾	16	-¾
Wet SealA		30	406	12	10⅜	10⅜	-1
Wetterau	0.68	11	1991	25⅛	23	25	+1½
Wicat Sys		86	343				
Willmette	1.68	28	972	73¼	72	72¼	-¼
WmsSonoma		86	316	12⅛	11¾	12⅛	-⅛
Wiser Oil	0.40	93	61	16⅛	15⅞	15⅞	
Wolohan L	0.28	14	30	20½	19¾	20	
Wilmington	0.48	26	549	23½	23	23	-⅝
Wyman-Gor	0.40	3	622	4½	4	4⅛	-⅛
- X - Y - Z -							
Xilinx		29	653	26¼	25¼	26	
Xoma Corp		10	20013	18½	16	17⅞	+1½
Yellow Fr	0.94	25	626	31½	31¼	31¼	
York Rsch		52	2798	6½	5¾	6¼	
ZionsUtah	1.44	10	20	52¼	49¾	50¼	-¼

MONDAY INTERVIEW

Venerable enemy of dogma

Teddy Kollek, mayor of Jerusalem, speaks to **Hugh Carnegy**

In 1967, during the Six Day War, Teddy Kollek had to dodge artillery bombardments to visit anxious citizens. Then, as now, the mayor of Jerusalem, Kollek says he had little time to take in the momentous consequences of the unfolding battles of the war, which began and ended with such dazzling speed 25 years ago next month.

It did not take long, though, for the euphoria of victory to infect Kollek and sweep the country. The war opened early on Monday June 6, when Israeli jets devastated the Egyptian air force in a series of lightning strikes. By the following Sunday, Israel had completed its stunning reply to months of threatening Arab rhetoric and actions by capturing the Sinai peninsula and the Gaza Strip from Egypt, the Golan Heights from Syria and the West Bank and east Jerusalem from the Jordanians.

A quarter of a century, six prime ministers and three wars later – more than half the life of the modern state of Israel has passed since – Israel still holds all but the Sinai. But the heady assurance of 1967 has long since dissipated. The expected peace never came. Instead, there was a bitter internal debate about whether to cede more "land for peace", or hold on stubbornly to all the remaining territories in the face of Arab hostility and international condemnation.

The debate goes on unresolved and unabated, the focus of the campaign for the June 23 general election between the ruling Likud party, which would give no ground, and the opposition Labour party which advocates compromise. But it is by now a weary, over-rehearsed argument. As the anniversary celebrations of the 1967 victory get under way, Teddy Kollek confesses that the desire for a simpler solution sometimes flashes through the mind of even a "dove" like himself.

"You see, sometimes you think: 'Wouldn't it be a good idea to have another war to show them that they can't stand up to us.' You remember suddenly how in 1967 on every Arab house there was a white flag . . . Why not bring this back? You have to catch yourself and realise that this is a silly idea."

Now approaching his 81st birthday, Teddy Kollek is a venerable figure in Israeli public life. First elected mayor of the Jewish half of the then-divided city in 1965, he has outlasted many governments. He has signalled that he will step down at the end of his current term in 1994. But for the time being, he is the last senior public figure of the old Labour ruling establishment still in office, tilting angrily at the dogmatic policies of the Likud and Prime Minister Yitzhak Shamir.

Teddy, as all Israelis chummily call him, is now so identified with Jerusalem that it is easy to overlook his previous roles at the heart of Israel's creation and development. An enthusiastic young Zionist in Vienna, where he was brought up, he emigrated to British mandatory Palestine in the 1930s, where he became a Kibbutznik farmer on the shores of the Sea of Galilee. During the Second World War, he was an agent in Istanbul, receiving some of the first chilling intelligence about the Holocaust from contacts in Nazi Europe.

He went on to head an illegal arms procurement operation in New York for the Zionist pioneers, sited over the Copacabana nightclub. In the 1950s, he headed the office of Prime Minister David Ben Gurion.

Ben Gurion, the driving force of Israel's early years, was a towering figure to Kollek. The mayor tells a story to make a timely point about his abiding influence. A few days after the 1967 war, by which time he had retired, Ben Gurion visited the newly-recaptured western, or Wailing Wall, the holiest Jewish shrine in the Old City. At Kollek's apartment later, many guests were proclaiming that the Arabs would now surely capitulate to Israel.

"But Ben Gurion said immediately: 'The Arabs will not make peace. They are a proud nation. We cannot give them back Jerusalem. This is the history of the Jewish people. But everything else – or practically everything else – we should give back as quickly as possible.' Well, he didn't convince anybody."

Kollek regrets that few were listening. He has remained loyal to the Ben Gurion line throughout the past 25 years. "We should hold on to what is absolutely necessary for our security and this is much less than we talk about. I'm for giving up land because I don't want to rule 1.7m Arabs. Not to rule this multitude is an advantage for us, not a disadvantage. We may do the Arabs a favour as well. There is no harm in that."

'I'm not certain that we shan't have another war'

But what about Jerusalem itself, the tortured heart of the Arab-Israeli conflict? Here, perhaps, is Kollek's "blind spot". Unquestionably, through his personality and extraordinary range of international contacts, he has overseen a great wave of development since the wall fell in June 1967 and Israel annexed the east side. "It is a better city now," he insists.

He has done much for the development of facilities for the city's 150,000 Arabs. He has tried – in vain – to persuade them to join the city council. Their votes have helped him stay in office. He has fought bitterly against provocative moves by Likud leaders to settle Jews in Arab areas of the Old City.

Kollek is prepared to devolve more administrative power in the city to Arab "boroughs". But he will not countenance any compromise of Israel's claim to exclusive sovereignty over all Jerusalem, something very few in the international community have ever recognised, the Palestinians utterly reject and which has helped make the issue of the city a huge obstacle on the path to peace.

In Jerusalem, Kollek speaks of the Arabs, who are heavily outnumbered by the city's 350,000 Jews, as a "minority", denying that they are any longer part of the West Bank, and, by implication, part of a Palestinian people who would make up a Palestinian state. He can therefore say, contrary to conventional wisdom, that Jerusalem need not be a great stumbling block to peace.

But Kollek's conviction that Israeli control of Jerusalem must never be shaken is perfectly in step with the thinking of the vast majority of Israelis. It is not seen by them as any kind of paradox with his views on what to do about the other occupied territories.

"What is happening now is against all our interests," he says of the policies of Mr Shamir's government. "The Jewish settlement activity of today (in the West Bank and Gaza) is not directed by the priority of how to settle immigrant Russians and Ethiopians and how to provide work for them. The first consideration is how to fulfil God's promise to Abraham. If we try to carry out that promise we will fail and we will fail in our desire to make peace."

Likud politicians are inclined to proclaim that the threat to Israel's existence is still a real one when they argue for holding on to the occupied lands. Kollek says there is still much genuine insecurity among Israelis as a result of the Holocaust experience. But he emphatically dismisses the notion that Israel could yet be wiped out. "Not at all, not at all. But we shall still have very difficult times. I'm not certain that we shan't have another war."

He clearly believes the chances of that will be increased if Likud wins the election. He tells a cautionary tale about the Maronite Christians of Lebanon.

"I have a story, which you may know, the story of the Lebanon. Here you had a small Christian enclave and then along came the French. This Christian enclave felt superior to the Arabs and with the French they created Grand Liban, including the Druze and the Sunnis and the Shias and everybody. It was something exhilarating at the beginning. Here, suddenly, instead of a small enclave, was an important country which the French supported. And you saw what the results were. I think it is a lesson for Israel."

PERSONAL FILE

- **1911** Born Vienna.
- **1934** Emigrates to Palestine.
- **1936** Founder member of Kibbutz Ein Gev on shore of Sea of Galilee.
- **1942-45** Jewish Agency liaison with British and US intelligence.
- **1947-48** Leads New York-based arms procurement programme for pre-state Jewish military authorities.
- **1950-64** Works with David Ben Gurion, including time as director-general of prime minister's office and head of state tourist corporation.
- **1964-65** President, Africa-Israel Investment Co.
- **1965-** Mayor of Jerusalem

The phoenix rises, but slowly

MICHAEL PROWSE on America

The worst mistake in economics is to make projections with a ruler – in other words to assume that the future will resemble the past. This rarely happens because human beings tend to learn from their mistakes. As the US economy emerges gingerly from recession, the strong sectors of the 1980s – such as consumer spending and construction – are noticeably subdued while the weak sectors – such as manufacturing production and exports – are doing better than expected.

At the very least this rebalancing of sectors suggests that the economy is not going to be plagued by huge trade and current account deficits in the 1990s. Judging from the scramble to restructure balance sheets, dangerously high ratios of debt to income in the consumer and corporate sectors may fall more rapidly than expected. The gigantic federal budget deficit is a more entrenched problem, but the enthusiasm on Capitol Hill for a constitutional amendment mandating a balanced budget is a telling sign of changing attitudes. Don't assume, in other words, that debts and deficits are an unalterable aspect of US economic life.

Several powerful forces are conspiring to bring about change. The importance of demography is brought out in a recent circular by Roger Brinner and David Wyss, economists at the forecasting group DRI/McGraw Hill. The 1980s saw rapid growth in employment reflecting both the coming of age of baby-boomers and the entry of women into the labour force. With both the population and the ratio of employment to population rising rapidly, a surge in consumption spending and housing demand was inevitable. It made sense to finance some of the spending out of borrowing. But these forces have played themselves out. As baby-boomers grow older they are likely to borrow less and save more; consumption will stop outpacing national income.

The psychological impact of three recessionary years can only reinforce these tendencies. Few middle class families anticipated the end of the housing boom. Fewer still realised that their jobs might become nearly as insecure as those of blue collar workers. For the first time since the 1930s, many households have cringed as easily serviced debts turned into millstones. The consequence – already evident in the failure of car sales to respond to lower interest rates – is greater caution in personal financial affairs. With the housing boom over, savings are more likely to be channelled into productive assets. Consumer caution will inhibit recovery in the short-term but it may be an asset in the longer-term.

At the same time, US industry is undergoing a partial rebirth. The overvaluation of the dollar in the mid-1980s was a turning point for many manufacturers – the event that finally brought home the need for fundamental reform. More recently, many service sector companies have cut costs and shed labour to raise efficiency.

The fruits of reform are evident. The quality gap between US and Japanese cars, for example, is obvious to the naked eye. The surprising success of small speciality steel makers marks a renaissance for the steel industry. In overseas markets, US manufacturers have steadily recaptured market share since 1986. In five years the trade surplus on advanced technology products has nearly doubled to $37bn. Most economists seem confident that export growth will remain strong despite the slowdown in Europe and Japan. Sales are running at double-digit rates in Latin America and south-east Asia.

The shock of tougher world competition is forcing US industry to sharpen its game in subtle ways. It has imported new management philosophies. It has developed tighter methods of inventory control: the recession was relatively shallow partly because supply and demand were more closely matched. US employers, always quick to fire, have become even more ruthless: last autumn a second mild downswing led to immediate job cuts. According to Ms Gail Fosler, chief economist at the Conference Board in New York, the economy's "systemic efficiency" is improving: she means that it is able to respond to change faster than before.

Relative to Europe, the flexibility is most evident in wages With unions virtually impotent, US employees do not have a "going rate" mentality. The real pay of all groups except the highly skilled has thus fallen sharply in recent years.

The US economy is still troubled. Consumer confidence remains fragile for this stage of the business cycle. The recovery from recession is far from firmly established despite recently improved figures. Olympia & York's bankruptcy filing is a timely reminder of the chronic weakness of north American commercial real estate markets. Budget deficits will continue to drain away domestic savings.

But the balance between consumption and production looks set to improve as manufacturers regain confidence and consumers adopt more conservative habits. A sharper focus on the needs of industry and export markets does not mean the US economy will be a roaring success in the near future; indeed, shorn of the stimulus of unrestrained borrowing, growth rates may look rather unimpressive. The important point is that a new chapter is beginning: the economy's behaviour in the 1980s is likely to be a poor guide to the shape of the current upturn.

· JOTTER PAD

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price by Trading on 17.05.92: Pool purchase price £/MWh	Final Prices for Trading on 19.04.92: Pool purchase price £/MWh	Final Prices for Trading on 19.04.92: Pool selling price £/MWh
0030	17.30	16.73	16.73
0100	17.25	16.81	16.81
0130	17.30	16.91	16.91
0200	9.52	22.38	24.21
0230	17.30	22.38	24.20
0300	17.30	22.36	24.18
0330	17.25	18.30	19.95
0400	17.19	18.30	19.95
0430	17.19	16.86	16.86
0500	17.19	16.81	16.81
0530	17.19	16.39	18.03
0600	17.19	16.39	18.03
0630	17.19	16.75	16.75
0700	18.27	16.75	16.75
0730	18.27	16.73	16.73
0800	18.27	16.73	16.73
0830	18.27	16.39	18.03
0900	18.27	16.39	18.03
0930	18.83	16.39	18.00
1000	21.03	16.39	17.98
1030	22.34	16.39	17.98
1100	21.14	16.39	17.98
1130	23.94	20.72	22.46
1200	26.48	21.23	22.99
1230	26.48	21.23	22.98
1300	26.48	21.23	22.99
1330	26.48	21.23	22.99
1400	22.20	16.39	17.98
1430	21.14	16.39	18.02
1500	20.77	16.73	16.73
1530	17.20	16.71	16.71
1600	17.20	16.70	16.70
1630	17.20	16.71	16.71
1700	18.85	16.70	16.70
1730	18.85	16.70	16.70
1800	20.77	16.70	16.70
1830	20.77	16.70	16.70
1900	21.03	16.71	16.71
1930	21.14	16.73	16.73
2000	21.14	16.39	18.00
2030	22.20	16.39	17.98
2100	28.35	21.55	23.32
2130	34.92	21.55	23.31
2200	34.92	21.55	23.32
2230	24.00	16.39	17.98
2300	24.00	16.39	17.98
2330	[illegible]	[illegible]	16.83
2400	[illegible]	[illegible]	16.70

[illegible] NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 18.05.92: Pool purchase price £/MWh	Final Prices for Trading on 20.04.92: Pool purchase price £/MWh	Final Prices for Trading on 20.04.92: Pool selling price £/MWh
0030	17.30	16.70	16.70
0100	17.25	16.70	16.70
0130	17.25	16.91	16.91
0200	17.25	16.07	17.95
0230	17.25	16.39	18.26
0300	17.25	16.39	18.26
0330	17.20	16.39	18.27
0400	17.20	16.39	18.27
0430	17.20	16.39	18.29
0500	17.20	16.71	16.71
0530	17.25	18.49	20.45
0600	17.19	16.67	16.67
0630	17.27	16.85	16.85
0700	17.60	16.85	16.85
0730	22.82	16.85	16.85
0800	23.24	16.91	16.91
0830	24.14	18.49	20.44
0900	24.77	18.49	20.44
0930	25.55	18.49	20.43
1000	27.38	18.67	20.60
1030	27.38	20.67	22.58
1100	27.38	22.82	24.90
1130	27.38	22.82	24.90
1200	26.41	18.77	20.73
1230	26.41	18.77	20.71
1300	26.40	18.77	20.71
1330	24.35	18.77	20.73
1400	23.70	16.91	16.91
1430	23.57	16.87	16.87
1500	23.57	16.87	16.87
1530	23.57	16.87	16.87
1600	23.57	16.87	16.87
1630	26.40	16.87	16.87
1700	26.40	16.91	16.91
1730	26.40	18.77	20.73
1800	22.82	18.77	20.72
1830	22.82	18.77	20.72
1900	21.77	18.67	20.62
1930	21.41	18.67	20.62
2000	21.05	16.91	16.91
2030	21.05	23.75	25.87
2100	21.05	23.75	25.84
2130	26.45	23.75	25.84
2200	26.45	23.75	25.84
2230	26.45	18.77	20.71
2300	26.40	18.77	20.73
2330	20.73	16.91	16.91
2400	20.03	16.85	16.85

[illegible] NGC Settlements Limited

CROSSWORD

No.7,850 Set by ALAUN

ACROSS

1 Has an Atlantic roller been over it? (8)
5 Handles the goods (6)
10 A support for the drawer (5)
11 Part with the tea crate that's damaged (9)
12 Made to leave, as it proved (6,3)
13 Drink unallowed in the early morning (5)
14 Force to leave half an hour after six (6)
15 The master returned only for something to eat (7)
18 Finding a soldier in a pub is only to be expected (7)
20 Takes issue over, officially (6)
22 Take off for the journey to the south (5)
24 Car ferry? (9)
25 Sense it's trendy teaching (9)
26 The dog, clamour to have shot (5)
27 Moans about the gold catch, returning it (6)
28 Miss America taking part in a spree (8)

DOWN

1 Is it safe to arrange a holiday abroad? (6)
2 Sucking up with "most interesting" (9)
3 Wrong ideas of what a phantom pregnancy means? (5,10)
4 Shoot to be heard and get assistance (7)
6 Set in hand? (10,5)
7 Allow to have a share of the copper and other metal (3,2)
8 Fought against being made redundant (8)
9 Must speak without hesitation at a good pace (6)
16 Expenses stay-at-homes don't have? (9)
17 Getting the approval is a boon (8)
19 Clear it's the naughty child in the cap (6)
20 A nation split by a woman (7)
21 Lost half the wad of banknotes on a walk (6)
23 The proportion that will desert I put at zero (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 30.

Jersey's judicial lesson

JUSTINIAN

The removal of the deputy bailiff of Jersey from judicial office and consequently from his position as deputy speaker of the island's legislature may have repercussions for the future of this self-governing dependency of the Crown.

Whatever the political outcome of public support for Mr Vernon Tomes, his departure provides a rare opportunity to examine the British constitutional position of an independent judiciary, an opportunity missed a year ago when 140 MPs were calling for an Address to be presented to the Crown petitioning for the removal of Lord Lane, the Lord chief Justice until a few weeks ago.

The issue is neatly dealt with in Ferdinand Mount's The British Constitution Now, published last week. Mr Mount faithfully recites the long-standing aherence of this country to the principle of the separation of powers and the constitutional invulnerability of the judiciary. The independence of the judiciary carries two distinct meanings: the independence of individual judges in the exercise of their judicial functions and second, the independence of the judiciary as a body of judges. The latter concept is concerned with the freedom of the judiciary from interference by executive government or the legislature in the exercise of judicial functions. In modern times the independence implies not only that judges should feel unrestrained by political pressures but also, with the growth of corporate giants, be removed from business entanglements likely to affect them in the exercise of justice. But that was not the issue over Lord Lane's handling of the Birmingham Six appeal in 1989 or the deputy bailiff's dismissal last week.

Apart from securing adequately their terms of office and tenure, judges, in judicial decision-making and in other official duties are subject to no authority but the law. It is an axiom of the rule of law that interference with the independence of judges to give their decisions according to the law is detrimental. As Mr Mount puts it: "No other organ of government is to judge their performances as judges".

What was hopelessly overlooked by politicians and commentators last year in clamouring for Lord Lane's removal was that he was being assailed for having made a mistake – shared by two other appellate judges – in dismissing the Birmingham Six's appeal. The call for Lord Lane's removal was unconstitutional. The fact that no judge has been removed im this way since the Act of Settlement of 1701 escaped the notice of his denigrators.

The 1701 Act was the genesis of the irremovability of judges for incompetence on the bench. That act provided that the judges' commissions from the Crown should be made "quamdieu se bene gesserint" (as long as they are of good behaviour). On that ground, judges are removable only on an Address by both Houses of Parliament.

This measure did not of itself create an independent judiciary. Other steps needed to be taken to secure their salaries and pensions. But the 1701 Act was the bedrock of independence, now re-enacted in the Supreme Court Act 1981. For nearly 300 years no judge has been removed by that process. This, as Mr Mount observes, is no trivial custom. It is fundamental to constitutional protection of judges.

How then does the case of the deputy bailiff fit into this constitutional picture? His offence was inordinate delay in handing down decisions. No one has doubted the quality of his judgments. They were of a high order, meticulously constructed. What was intolerable was the delay in administering justice. It was his conduct, not in his judging of cases but in the administrative process that constituted his offence.

One of the besetting problems for litigants all over the world is the time they have to wait for a decison to be handed down. There is no means within a legal system of literally forcing a judge to give his decision. Various devices have been sought, such as applying to the judge in open court for him to give his decision so that his failure up till then may be publicly noted. Alternatively it may be that help could be sought from the head of the judiciary, the Lord Chancellor, or from the head of the division in which the judge sits.

One ruse comes to mind with the listing last week in a legal magazine of Mr Justice Harman at the bottom of the league of judges favoured by the legal profession. In a copyright case some years ago he reserved judgment for many months. Both parties became agitated at the long silence. They complained to the judge, through his clerk. In desperation the clerk, late one Friday, arranged to have the case put into the Daily Cause List (which lists cases due for hearing), for judgment to be delivered first thing on the Monday morning. Faced with the announcement of the pending judgment, the judge hurriedly concocted it over the weekend. Judgment was duly delivered, to everyone's astonishment.

The deputy bailiff of Jersey was given a number of warnings to speed up his delivery of judgments, failing which he would have to be dismissed. The Home Secretary, on behalf of the Crown, had ultimately no alternative. Constitutional propriety was fully observed.

Louis Blom-Cooper QC